

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION  
Central Valley Project, California

CONTRACT BETWEEN THE UNITED STATES  
AND  
GRAVELLY FORD WATER DISTRICT  
PROVIDING FOR PROJECT WATER SERVICE FROM  
FRIANT DIVISION AND  
FOR FACILITIES REPAYMENT

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1  
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6 CONTRACT BETWEEN THE UNITED STATES  
7 AND  
8 GRAVELLY FORD WATER DISTRICT  
9 PROVIDING FOR PROJECT WATER SERVICE  
10 FROM FRIANT DIVISION AND  
11 FACILITIES REPAYMENT

12 THIS CONTRACT, made this \_\_\_\_\_ day of \_\_\_\_\_, 2010, is entered into  
13 pursuant to the Act of June 17, 1902, (32 Stat. 388), and acts amendatory or supplementary thereto,  
14 including but not limited to: the Act of August 26, 1937 (50 Stat. 844), as amended and  
15 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2, 1956 (70 Stat.  
16 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1262), October 27, 1986 (100 Stat.  
17 3050), as amended, Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), and Title X,  
18 Subtitle A, of the Act of March 30, 2009 (123 Stat. 1349), also referred to as the San Joaquin River  
19 Restoration Settlement Act hereinafter referred to as SJRRSA, all collectively hereinafter referred to  
20 as Federal Reclamation law, between THE UNITED STATES OF AMERICA, hereinafter referred to  
21 as the United States and GRAVELLY FORD WATER DISTRICT, hereinafter referred to as the  
22 Contractor, a public agency of the State of California, duly organized, existing, and acting pursuant to  
23 the laws thereof, with its principal place of business in California;

24 WITNESSETH, That

25 EXPLANATORY RECITALS

26 [1<sup>st</sup>] WHEREAS, the United States has constructed and is operating the Central Valley  
27 Project, California, for diversion, storage, carriage, distribution and beneficial use, for flood control,

28 irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and restoration,  
29 generation and distribution of electric energy, salinity control, navigation and other beneficial uses, of  
30 waters of the Sacramento River, the American River, the Trinity River, and the San Joaquin River  
31 and their tributaries; and

32 [2<sup>nd</sup>] WHEREAS, the United States constructed Friant Dam (thereby creating Millerton  
33 Lake) and the Friant-Kern and Madera Canals, hereinafter collectively referred to as the Friant  
34 Division Facilities, which will be used in part for the furnishing of water to the Contractor pursuant to  
35 the terms of this Contract; and

36 [3<sup>rd</sup>] WHEREAS, the United States and the Contractor entered into Contract Number 1-07-  
37 20-W0242, as amended, which established terms for the delivery to the Contractor of Project Water  
38 from the Friant Division from July 26, 1981 through February 28, 1995; and

39 [4<sup>th</sup>] WHEREAS, the Contractor and the United States have, pursuant to subsection  
40 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into  
41 interim renewal contract(s), identified as Contract Number (s) 1-07-20-W0242-IR1, IR2, IR3, and  
42 IR4, which provided for the continued water service to Contractor from March 1, 1995 through  
43 February 28, 2001, and subsequently entered into a long-term renewal contract identified as Contract  
44 Number 1-07-20-W0242-LTR1, which provided for continued water service to Contractor through  
45 February 28, 2026, which was amended January 26, 2007, and is herein referred to as the "Existing  
46 Contract"; and

47 [5<sup>th</sup>] WHEREAS, pursuant to Section 8 of the Act of June 17, 1902 (32 Stat. 388), the  
48 United States has acquired water rights and other rights to the flows of the San Joaquin River,  
49 including without limitation the permits issued as the result of Decision 935 by the California State

50 Water Resource Control Board and the contracts described in subdivision (n) of Article 3 of this  
51 Contract, pursuant to which the Contracting Officer develops, diverts, stores and delivers Project  
52 Water stored or flowing through Millerton Lake in accordance with State and Federal law for the  
53 benefit of Project Contractors in the Friant Division and for other specified Project purposes; and

54 [6<sup>th</sup>] WHEREAS, the water supplied to the Contractor pursuant to this Contract is Project  
55 Water developed through the exercise of the rights described in the fifth (5<sup>th</sup>) Explanatory Recital of  
56 this Contract; and

57 [7<sup>th</sup>] WHEREAS, as a result of litigation entitled “Natural Resources Defense Council, et  
58 al. v Kirk Rogers, et al.” No. CIV-S-88-1658LLK/GGH, certain contractors from the Friant Division  
59 entered into a Stipulation of Settlement dated September 13, 2006, (the “Settlement”), which  
60 settlement prescribes a Restoration Goal and a Water Management Goal and which Settlement was  
61 subsequently confirmed and implemented through the SJRRSA; and

62 [8<sup>th</sup>] WHEREAS, the SJRRSA authorizes and directs the Secretary to convert the Existing  
63 Contract to a repayment contract under subsection (d) of Section 9 of the Act of August 4, 1939, no  
64 later than December 31, 2010, and further directs that such contract shall require the accelerated  
65 repayment of the Contractors’ allocated share of construction costs, either as a lump sum payment by  
66 January 31, 2011 or in annual installments by January 31, 2014, which funds will in turn be made  
67 available for implementation of the Settlement and SJRRSA, and which costs otherwise would have  
68 been payable through annual water rates, with full repayment by 2030; and

69 [9<sup>th</sup>] WHEREAS, such repayment of costs will assist the United States with  
70 implementation of actions required under the Settlement and the SJRRSA and provide the Contractor  
71 the benefits provided in Section 10010 of the SJRRSA; and

72 [10<sup>th</sup>] WHEREAS, subsection (4) of Section 1 of the Act of July 2, 1956 (1956 Act) directs  
73 the Secretary to provide that the other party to any contract entered into pursuant to subsection (d) of  
74 Section 9 of the Act of August 4, 1939 (repayment contract) or pursuant to subsection (e) of Section 9  
75 of the Act of August 4, 1939 (water service contract) shall “have the first right (to which the rights of  
76 the holders of any other type of irrigation water contract shall be subordinate) to a stated share or  
77 quantity of the project’s available water supply for beneficial use on the irrigable lands within the  
78 boundaries of, or owned by, the party and a permanent right to such share or quantity upon  
79 completion of payment of the amount assigned for ultimate return” by the contractor subject to  
80 fulfillment of all obligations under the contract; and

81 [11<sup>th</sup>] WHEREAS, among other things, this Contract includes provisions granting the  
82 Contractor the permanent right described in the tenth (10<sup>th</sup>) Explanatory Recital; and

83 [12<sup>th</sup>] WHEREAS, the Contractor has demonstrated to the satisfaction of the Contracting  
84 Officer that the Contractor has utilized the Project Water supplies available to it for reasonable and  
85 beneficial use and/or has demonstrated projected future demand for water use such that the  
86 Contractor has the capability and expects to utilize fully for reasonable and beneficial use the quantity  
87 of Project Water to be made available to it pursuant to this Contract; and

88 [13<sup>th</sup>] WHEREAS, water obtained from the Central Valley Project has been relied upon by  
89 urban and agricultural areas within California for more than fifty (50) years and is considered by the  
90 Contractor as an essential portion of its water supply; and

91 [14<sup>th</sup>] WHEREAS, the economies of regions within the Central Valley Project, including the  
92 Contractor’s, depend upon the continued availability of water, including water service from the  
93 Central Valley Project; and

94 [15<sup>th</sup>] WHEREAS, the Secretary intends through coordination, cooperation, and partnerships  
95 to pursue measures to improve water supply, water quality, and reliability of the Project for all  
96 Project purposes; and

97 [16<sup>th</sup>] WHEREAS, the mutual goals of the United States and the Contractor include: to  
98 provide for reliable Project Water supplies; to control costs of those supplies; to achieve repayment of  
99 the Central Valley Project as required by law; to guard reasonably against Project Water shortages; to  
100 achieve a reasonable balance among competing demands for use of Project Water; and to comply  
101 with all applicable environmental statutes, all consistent with the legal obligations of the United  
102 States relative to the Central Valley Project; and

103 [17<sup>th</sup>] WHEREAS, any time during the Year the Contracting Officer determines that a need  
104 exists to evacuate water from Millerton Lake in order to prevent or minimize spill or to meet flood  
105 control criteria (currently referred to as “uncontrolled season”), taking into consideration, among  
106 other things, anticipated upstream reservoir operations and the most probable forecast of snowmelt  
107 and runoff projections for the upper San Joaquin River, Friant Division Project Contractors utilize a  
108 portion of their undependable Class 2 Water in their service areas to, among other things, assist in the  
109 management and alleviation of groundwater overdraft in the Friant Division service area, provide  
110 opportunities for restoration of the San Joaquin River below Friant Dam, minimize flooding along the  
111 San Joaquin River, encourage optimal water management, and maximize the reasonable and  
112 beneficial use of the water; and

113 [18<sup>th</sup>] WHEREAS, the parties desire and intend that this Contract not provide a disincentive  
114 to the Friant Division Project Contractors continuing to carry out the beneficial activities set out in  
115 the Explanatory Recital immediately above; and

116 [19<sup>th</sup>] WHEREAS, the United States has determined that the Contractor has fulfilled all of  
117 its obligations under the Existing Contract.

118 NOW, THEREFORE, in consideration of the mutual and dependent covenants herein  
119 contained, it is hereby mutually agreed by the parties hereto as follows:

120 DEFINITIONS

121 1. When used herein, unless otherwise distinctly expressed or manifestly incompatible  
122 with the intent of the parties as expressed in this Contract, the term:

123 (a) "Additional Capital Obligation" shall mean any additional construction costs  
124 or other capitalized costs incurred after the effective date of this Contract or not reflected in the  
125 Existing Capital Obligation as provided in Section 10010(a)(3)(B) of the SJRRSA and any amounts  
126 payable by Contractor as determined through the final adjustment described and required by Section  
127 10010(b) of the SJRRSA;

128 (b) "Calendar Year" shall mean the period January 1 through December 31, both  
129 dates inclusive;

130 (c) "Charges" shall mean the payments required by Federal Reclamation law in  
131 addition to the Rates specified in this Contract as determined annually by the Contracting Officer  
132 pursuant to this Contract and consistent with the SJRRSA;

133 (d) "Class 1 Water" shall mean that supply of water stored in or flowing through  
134 Millerton Lake which, subject to the contingencies hereinafter described in Articles 3, 12, and 13 of  
135 this Contract, will be available for delivery from Millerton Lake and the Friant-Kern and Madera  
136 Canals as a dependable water supply during each Year;

137 (e) "Class 2 Water" shall mean that supply of water which can be made available  
138 subject to the contingencies hereinafter described in Articles 3, 12, and 13 of this Contract for  
139 delivery from Millerton Lake and the Friant-Kern and Madera Canals in addition to the supply of  
140 Class 1 Water. Because of its uncertainty as to availability and time of occurrence, such water will  
141 be undependable in character and will be furnished only if, as, and when it can be made available as  
142 determined by the Contracting Officer;

143 (f) "Condition of Shortage" shall mean a condition respecting the Project during  
144 any Year such that the Contracting Officer is unable to deliver sufficient water to meet the Contract  
145 Total;

146 (g) "Contracting Officer" shall mean the Secretary of the Interior's duly  
147 authorized representative acting pursuant to this Contract or applicable Federal Reclamation law or  
148 regulation;

149 (h) "Contract Total" shall mean the maximum amount of Class 1 Water plus the  
150 maximum amount of Class 2 Water specified in subdivision (a) of Article 3 of this Contract and is the  
151 stated share or quantity of the Project's available water supply to which the Contractor has a  
152 permanent right in accordance with the 1956 Act and the terms of this Contract, due to the  
153 Contractor's complete payment of the Repayment Obligation, notwithstanding any Additional Capital  
154 Obligation that may later be established, which right shall not be disturbed so long as the Contractor  
155 fulfills all of its obligations under this Contract;

156 (i) "Contractor's Service Area" shall mean the area to which the Contractor is  
157 permitted to provide Project Water under this Contract as described in Exhibit "A" attached hereto,

158 which may be modified from time to time in accordance with Article 36 of this Contract without  
159 amendment of this Contract;

160 (j) “CVPIA” shall mean the Central Valley Project Improvement Act, Title  
161 XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

162 (k) Omitted;

163 (l) Omitted;

164 (m) “Existing Capital Obligation” shall mean the remaining amount of construction  
165 costs of the Contractor identified in the Central Valley Project Irrigation Water Rates and/or  
166 Municipal and Industrial Water Rates, respectively, dated January 25, 2007, as adjusted to reflect  
167 payments not reflected in such schedule, pursuant to Section 10010(a)(3)(A) of the SJRRSA. The  
168 Contracting Officer has computed the Existing Capital Obligation in a manner consistent with the  
169 SJRRSA and such amount is set forth in Exhibit “C-1”, incorporated herein by reference;

170 (n) “Financing Costs”, for purposes of computing the reduction of certain charges  
171 as specified in subdivision (c) of Article 7 of this Contract, shall mean the difference between the net  
172 present value of the Existing Capital Obligation discounted using the full Treasury rate and the  
173 Existing Capital Obligation discounted using one-half the Treasury Rate, as set forth in Section  
174 10010(d)(3) of the SJRRA;

175 (o) Omitted;

176 (p) Omitted;

177 (q) Omitted;

178 (r) “Irrigation Water” shall mean water made available from the Project that is  
179 used primarily in the production of agricultural crops or livestock, including domestic use incidental

180 thereto, and watering of livestock. Irrigation water shall not include water used for the purposes such  
181 as the watering of landscaping or pasture for animals (e.g., horses) which are kept for personal  
182 enjoyment or water delivered to landholdings operated in units of less than five (5) acres unless the  
183 Contractor establishes to the satisfaction of the Contracting Officer that the use of the water delivered  
184 to any such landholding is a use described in this subdivision of this Article of this Contract;

185 (s) Omitted;

186 (t) “Long Term Historic Average” shall mean the average of the final forecast of  
187 Water Made Available to the Contractor pursuant to this Contract and the contracts referenced in the  
188 third (3<sup>rd</sup>) and fourth (4<sup>th</sup>) Explanatory Recitals of this Contract;

189 (u) Omitted;

190 (v) Omitted;

191 (w) “Operation and Maintenance” or “O&M” shall mean normal and reasonable  
192 care, control, operation, repair, replacement (other than Capital replacement), and maintenance of  
193 Project facilities;

194 (x) “Operating Non-Federal Entity” shall mean a Non-Federal entity, which has  
195 the obligation to operate and maintain all or a portion of the Friant Division Facilities pursuant to an  
196 agreement with the United States and which may have funding obligations with respect thereto;

197 (y) “Other Water” shall mean water from the Project other than Irrigation Water as  
198 described in subdivision (r) of this Article of this Contract, which is used for a purpose that is  
199 considered to be an irrigation use pursuant to State law such as the watering of landscaping or pasture  
200 for animals (e.g., horse) which are kept for the personal enjoyment. For purposes of this Contract,

201 Other Water shall be paid for at Rates and Charges identical to those established for municipal and  
202 industrial water pursuant to the then-existing Municipal and Industrial Ratesetting Policy;

203 (z) “Project” shall mean the Central Valley Project owned by the United States  
204 and managed by the Department of the Interior, Bureau of Reclamation;

205 (aa) “Project Contractors” shall mean all parties who have a long-term water  
206 service contract or repayment contract for Project Water from the Project with the United States  
207 pursuant to Federal Reclamation law;

208 (bb) “Project Water” shall mean all water that is developed, diverted, stored, or  
209 delivered by the Secretary in accordance with the statutes authorizing the Project and in accordance  
210 with the terms and conditions of water rights acquired pursuant to California law;

211 (cc) “Rates” shall mean the payments for O&M costs as determined annually by the  
212 Contracting Officer in accordance with the then-existing applicable water ratesetting policies for the  
213 Project, as described in subdivision (a) of Article 7 of this Contract and illustrated in Exhibit “B”,  
214 attached hereto;

215 (dd) “Recovered Water Account” shall mean the program, as defined in the  
216 Settlement, to make water available to all of the Friant Division Project Contractors who provide  
217 water to meet interim flows or restoration flows for the purpose of reducing or avoiding the impact of  
218 the interim flows and restoration flows on such contractors;

219 (ee) “Repayment Obligation”, as provided in subdivision (a)(2)(A) of Article 7 of  
220 this Contract, shall be the Existing Capital Obligation, as defined herein, discounted by one-half of  
221 the Treasury rate and computed consistent with the provisions of Section 10010(3)(A) of the

222 SJRRSA. The Contractor has fully paid the capital obligation as assigned in the January 25, 2007  
223 ratebooks with adjustments for payments.

224 (ff) “Secretary” shall mean the Secretary of the Interior, a duly appointed  
225 successor, or an authorized representative acting pursuant to any authority of the Secretary and  
226 through any agency of the Department of the Interior;

227 (gg) “Settlement” shall mean the Stipulation of Settlement dated September 13,  
228 2006, the Order Approving Stipulation of Settlement, and the Judgment and further orders issued by  
229 the Court pursuant to the terms and conditions of the Settlement in Natural Resources Defense  
230 Council, et al. v. Rodgers, et al., No. CIV-S-88-1658 LLJ/GGH;

231 (hh) Omitted;

232 (ii) “Water Delivered” or “Delivered Water” shall mean Project Water diverted for  
233 use by the Contractor at the point(s) of delivery approved by the Contracting Officer;

234 (jj) “Water Made Available” shall mean the estimated amount of Project Water  
235 that can be delivered to the Contractor for the upcoming Year as declared by the Contracting Officer,  
236 pursuant to subdivision (a) of Article 4 of this Contract;

237 (kk) “Water Management Goal” shall mean the goal of the Settlement to reduce or  
238 avoid adverse water supply impacts to all the Friant Division Project Contractors that may result from  
239 the interim flows and restoration flows provided for in the Settlement;

240 (ll) “Water Scheduled” shall mean Project Water made available to the Contractor  
241 for which times and quantities for delivery have been established by the Contractor and Contracting  
242 Officer, pursuant to subdivision (b) of Article 4 of this Contract; and

243 (mm) "Year" shall mean the period from and including March 1 of each Calendar  
244 Year through the last day of February of the following Calendar Year.

245 EFFECTIVE DATE OF CONTRACT

246 2. (a) This Contract shall become effective on the date first hereinabove written and  
247 shall continue so long as the Contractor is making the annual payments required herein and paying  
248 any other amounts owing under this Contract and applicable law, unless it is terminated by the  
249 Contracting Officer by reason of a material uncured breach by the Contractor; Provided, That the  
250 Contracting Officer shall not seek to terminate this Contract by reason of an asserted material  
251 uncured breach by the Contractor unless it has first provided at least sixty (60) days written notice of  
252 the asserted breach to the Contractor and the Contractor has failed to cure such breach (or to  
253 diligently commence curative actions satisfactory to the Contracting Officer for a breach that cannot  
254 be fully cured within sixty (60) days) within the sixty (60)-day notice period; Provided further, That  
255 this Contract may be terminated at any time by mutual consent of the parties hereto.

256 (b) The Contractor does not have a Repayment Obligation, and notwithstanding  
257 any Additional Capital Obligation that may later be established, the tiered pricing component and the  
258 acreage limitations, reporting, and full cost pricing provisions of Federal Reclamation law, shall no  
259 longer be applicable to the Contractor.

260 (c) This Contract supersedes in its entirety and is intended to replace in full the  
261 Existing Contract; Provided, That if this Contract is terminated or determined to be invalid or  
262 unenforceable for any reason other than a material uncured breach of this Contract by the Contractor,  
263 the Existing Contract shall not be superseded and shall be in full force and effect.

264 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

265 3. (a) During each Year, consistent with all applicable State water rights, permits,  
266 and licenses, Federal law, the Settlement including the SJRRSA, and subject to the provisions set  
267 forth in Articles 12 and 13 of this Contract, the Contracting Officer shall make available for delivery  
268 to the Contractor from the Project 14,000 acre-feet of Class 2 Water for irrigation purposes. The  
269 quantity of Water Delivered to the Contractor in accordance with this subdivision shall be scheduled  
270 and paid for pursuant to the provisions of Articles 4 and 7 of this Contract.

271 (b) The Contractor does not have a Repayment Obligation, and notwithstanding  
272 any Additional Capital Obligation that may later be established, the Contractor has a permanent right  
273 to the Contract Total in accordance with the 1956 Act and the terms of this Contract. This right shall  
274 not be disturbed so long as the Contractor fulfills all of its obligations hereunder. The quantity of  
275 water made available for delivery in any given Year shall remain subject to the terms and conditions  
276 of subdivision (a) of this Article of this Contract.

277 (c) The Contractor shall utilize the Project Water in accordance with all applicable  
278 legal requirements.

279 (d) The Contractor shall make reasonable and beneficial use of all Project Water  
280 or other water furnished pursuant to this Contract. Groundwater recharge programs, groundwater  
281 banking programs, surface water storage programs, and other similar programs utilizing Project  
282 Water or other water furnished pursuant to this Contract conducted within the Contractor's Service  
283 Area which are consistent with applicable State law and result in use consistent with applicable  
284 Federal Reclamation law will be allowed; Provided, That any direct recharge program(s) is (are)  
285 described in the Contractor's Water Conservation Plan submitted pursuant to Article 27 of this

286 Contract; Provided further, That such Water Conservation Plan demonstrates sufficient lawful uses  
287 exist in the Contractor's Service Area so that using a long-term average, the quantity of Delivered  
288 Water is demonstrated to be reasonable for such uses and in compliance with Federal Reclamation  
289 law. Groundwater recharge programs, groundwater banking programs, surface water storage  
290 programs, and other similar programs utilizing Project Water or other water furnished pursuant to this  
291 Contract conducted outside the Contractor's Service Area may be permitted upon written approval of  
292 the Contracting Officer, which approval will be based upon environmental documentation, Project  
293 Water rights, and Project operational concerns. The Contracting Officer will address such concerns  
294 in regulations, policies, or guidelines.

295 (e) The Contractor, through this Contract, shall comply with requirements  
296 applicable to the Contractor in biological opinion(s) prepared as a result of the consultation regarding  
297 the execution of the Existing Contract undertaken pursuant to Section 7 of the Endangered Species  
298 Act of 1973, as amended, as well as the requirements of any other biological opinions applicable to  
299 Project Water delivery under this Contract, that are within the Contractor's legal authority to  
300 implement. The Contractor shall comply with the limitations or requirements imposed by  
301 environmental documentation applicable to the Contractor and within its legal authority to implement  
302 regarding specific activities. Nothing herein shall be construed to prevent the Contractor from  
303 challenging or seeking judicial relief in a court of competent jurisdiction with respect to any  
304 biological opinion or other environmental documentation referred to in this Article of this Contract.

305 (f) Subject to subdivisions (l) and (n) of this Article of this Contract, following the  
306 declaration of Water Made Available under Article 4 of this Contract, the Contracting Officer will  
307 make a determination whether Project Water, or other water available to the Project, can be made

308 available to the Contractor in addition to the Contract Total in this Article of this Contract during the  
309 Year without adversely impacting the Project or other Project Contractors and consistent with the  
310 Secretary's legal obligations. At the request of the Contractor, the Contracting Officer will consult  
311 with the Contractor prior to making such a determination. Subject to subdivisions (l) and (n) of this  
312 Article of this Contract, if the Contracting Officer determines that Project Water, or other water  
313 available to the Project, can be made available to the Contractor, the Contracting Officer will  
314 announce the availability of such water and shall so notify the Contractor as soon as practical. The  
315 Contracting Officer will thereafter meet with the Contractor and other Project Contractors capable of  
316 taking such water to determine the most equitable and efficient allocation of such water. If the  
317 Contractor requests the delivery of any quantity of such water, the Contracting Officer shall make  
318 such water available to the Contractor in accordance with applicable statutes, regulations, guidelines,  
319 and policies.

320 (g) The Contractor may request permission to reschedule for use during the  
321 subsequent Year some or all of the Water Made Available to the Contractor during the current Year  
322 referred to as "carryover." The Contractor may request permission to use during the current Year a  
323 quantity of Project Water which may be made available by the United States to the Contractor during  
324 the subsequent Year referred to as "pre-use." The Contracting Officer's written approval may permit  
325 such uses in accordance with applicable statutes, regulations, guidelines, and policies.

326 (h) The Contractor's right pursuant to Federal Reclamation law and applicable  
327 State law to the reasonable and beneficial use of the Water Delivered pursuant to this Contract shall  
328 not be disturbed so long as the Contractor shall fulfill all of its obligations under this Contract.

329 Nothing in the preceding sentence shall affect the Contracting Officer's ability to impose shortages  
330 under Article 12 or subdivision (b) of Article 13 of this Contract.

331 (i) Project Water furnished to the Contractor pursuant to this Contract may be  
332 delivered for purposes other than those described in subdivisions (r) and (y) of Article 1 of this  
333 Contract upon written approval by the Contracting Officer in accordance with the terms and  
334 conditions of such approval.

335 (j) The Contracting Officer shall make reasonable efforts to protect the water  
336 rights and other rights described in the fifth (5th) Explanatory Recital of this Contract and to provide  
337 the water available under this Contract. The Contracting Officer shall not object to participation by  
338 the Contractor, in the capacity and to the extent permitted by law, in administrative proceedings  
339 related to the water rights and other rights described in the fifth (5th) Explanatory Recital of this  
340 Contract; Provided however, That the Contracting Officer retains the right to object to the substance  
341 of the Contractor's position in such a proceeding. Provided further, that in such proceedings the  
342 Contracting Officer shall recognize the Contractor has a legal right under the terms of this Contract to  
343 use Project Water.

344 (k) Project Water furnished to the Contractor during any month designated in a  
345 schedule or revised schedule submitted by the Contractor and approved by the Contracting Officer  
346 shall be deemed to have been accepted by the Contractor as Class 1 Water to the extent that Class 1  
347 Water is called for in such schedule for such month and shall be deemed to have been accepted as  
348 Class 2 Water to the extent Class 2 Water is called for in such schedule for such month. If in any  
349 month the Contractor diverts a quantity of water in addition to the total amount of Class 1 Water and  
350 Class 2 Water set forth in the Contractor's approved schedule or revised schedule for such month,

351 such additional diversions shall be charged first against the Contractor's remaining Class 2 Water  
352 supply available in the current Year. To the extent the Contractor's remaining Class 2 Water supply  
353 available in the current Year is not sufficient to account for such additional diversions, such  
354 additional diversions shall be charged against the Contractor's remaining Class 1 Water supply  
355 available in the current Year. To the extent the Contractor's remaining Class 1 Water and Class 2  
356 Water supplies available in the current Year are not sufficient to account for such additional  
357 diversions, such additional diversions shall be charged first against the Contractor's available Class 2  
358 Water supply and then against the Contractor's available Class 1 Water supply, both for the following  
359 Year. Payment for all additional diversions of water shall be made in accordance with Article 7 of  
360 this Contract.

361 (l) If the Contracting Officer determines there is a Project Water supply available  
362 at Friant Dam as the result of an unusually large water supply not otherwise storable for Project  
363 purposes or infrequent and otherwise unmanaged flood flows of short duration, such water will be  
364 made available to the Contractor and others under Section 215 of the Act of October 12, 1982,  
365 pursuant to the priorities specified below if the Contractor enters into a temporary contract with the  
366 United States not to exceed one (1) year for the delivery of such water or as otherwise provided for in  
367 Federal Reclamation law and associated regulations. Such water may be identified by the Contractor  
368 either (i) as additional water to supplement the supply of Class 1 Water and/or Class 2 Water made  
369 available to it pursuant to this Contract or, (ii) upon written notification to the Contracting Officer, as  
370 water to be credited against the Contractor's Class 2 Water supply available pursuant to this Contract.  
371 The Contracting Officer shall make water determined to be available pursuant to this subsection  
372 according to the following priorities: first, to contractors for Class 1 Water and/or Class 2 Water

373 within the Friant Division; second, to contractors in the Cross Valley Division of the Project. The  
374 Contracting Officer will consider requests from other parties for Section 215 Water for use within the  
375 area identified as the Friant Division service area in the environmental assessment developed in  
376 connection with the execution of the Existing Contract.

377 (m) Nothing in this Contract, nor any action or inaction of the Contractor or  
378 Contracting Officer in connection with the implementation of this Contract, is intended to override,  
379 modify, supersede or otherwise interfere with any term or condition of the water rights and other  
380 rights referred in the fifth (5th) Explanatory Recital of this Contract.

381 (n) The rights of the Contractor under this Contract are subject to the terms of the  
382 contract for exchange waters, dated July 27, 1939, between the United States and the San Joaquin and  
383 Kings River Canal and Irrigation Company, Incorporated, et al., (hereinafter referred to as the  
384 Exchange Contractors), Contract No. I1r-1144, as amended. The United States agrees that it will not  
385 deliver to the Exchange Contractors thereunder waters of the San Joaquin River unless and until  
386 required by the terms of said contract, and the United States further agrees that it will not voluntarily  
387 and knowingly determine itself unable to deliver to the Exchange Contractors entitled thereto from  
388 water that is available or that may become available to it from the Sacramento River and its  
389 tributaries or the Sacramento-San Joaquin Delta those quantities required to satisfy the obligations of  
390 the United States under said Exchange Contract and under Schedule 2 of the Contract for Purchase of  
391 Miller and Lux Water Rights (Contract I1r-1145, dated July 27, 1939).

392 (o) Pursuant to and consistent with section 10004 of SJRRSA and Paragraph 16 of  
393 the Settlement, the Contracting Officer is required to develop and implement a plan for recirculation,  
394 recapture, reuse, exchange or transfer of water released for restoration flows or interim flows, as

395 those terms are defined in the Settlement, to reduce or avoid impacts to water deliveries caused by  
396 said restoration flows or interim flows. Water developed through such activities may be made  
397 available (i) to the Contractor without the need of an additional contract, and/or (ii) to others on  
398 behalf of the Contractor under terms mutually acceptable to the Contractor and the Contracting  
399 Officer that are consistent with the Water Management Goal.

400 TIME FOR DELIVERY OF WATER

401 4. (a) On or about February 20 of each Calendar Year, the Contracting Officer shall  
402 announce the Contracting Officer's initial declaration of the Water Made Available. The declaration  
403 will be updated monthly and more frequently if necessary, based on then-current operational and  
404 hydrologic conditions and a new declaration with changes, if any, to the Water Made Available will  
405 be made. The Contracting Officer shall provide forecasts of Project operations and the basis of the  
406 estimate, with relevant supporting information, upon the written request of the Contractor.  
407 Concurrently with the declaration of the Water Made Available, the Contracting Officer shall provide  
408 the Contractor with the updated Long Term Historic Average. The declaration of Project operations  
409 will be expressed in terms of both Water Made Available and the Long Term Historic Average.

410 (b) On or before each March 1 and at such other times as necessary, the Contractor  
411 shall submit to the Contracting Officer a written schedule, satisfactory to the Contracting Officer,  
412 showing the monthly quantities of Project Water to be delivered by the United States to the  
413 Contractor pursuant to this Contract for the Year commencing on such March 1. The Contracting  
414 Officer shall use all reasonable means to deliver Project Water according to the approved schedule  
415 for the Year commencing on such March 1.

416 (c) The Contractor shall not schedule Project Water in excess of the quantity of  
417 Project Water the Contractor intends to put to reasonable and beneficial use within the Contractor's  
418 Service Area, or to sell, transfer or exchange pursuant to Article 10 of this Contract or bank pursuant  
419 to subdivision (d) of Article 3 of this Contract during any Year.

420 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this  
421 Contract, the United States shall deliver Project Water to the Contractor in accordance with the initial  
422 schedule submitted by the Contractor pursuant to subdivision (b) of this Article, or any written  
423 revision(s), satisfactory to the Contracting Officer, thereto submitted within a reasonable time prior to  
424 the date(s) on which the requested change(s) is/are to be implemented; Provided, That the total  
425 amount of water requested in that schedule or revision does not exceed the quantities announced by  
426 the Contracting Officer pursuant to the provisions of subdivision (a) of Article 3 of this Contract, and  
427 the Contracting Officer determines that there will be sufficient capacity available in the appropriate  
428 Friant Division Facilities to deliver the water in accordance with that schedule; Provided further,  
429 That the Contractor shall not schedule the delivery of any water during any period as to which the  
430 Contractor is notified by the Contracting Officer or Operating Non-Federal Entity that Project  
431 facilities required to make deliveries to the Contractor will not be in operation because of scheduled  
432 O&M.

433 (e) The Contractor may, during the period from and including November 1 of each  
434 Year through and including the last day of February of that Year, request delivery of any amount of  
435 the Class 1 Water estimated by the Contracting Officer to be made available to it during the following  
436 Year. The Contractor may, during the period from and including January 1 of each Year (or such  
437 earlier date as may be determined by the Contracting Officer) through and including the last day of

438 February of that Year, request delivery of any amount of Class 2 Water estimated by the Contracting  
439 Officer to be made available to it during the following Year. Such water shall hereinafter be referred  
440 to as pre-use water. Such request must be submitted in writing by the Contractor for a specified  
441 quantity of pre-use and shall be subject to the approval of the Contracting Officer. Payment for pre-  
442 use water so requested shall be at the appropriate Rate(s) for the following Year in accordance with  
443 Article 7 of this Contract and shall be made in advance of delivery of any pre-use water. The  
444 Contracting Officer shall deliver such pre-use water in accordance with a schedule or any revision  
445 thereof submitted by the Contractor and approved by the Contracting Officer, to the extent such water  
446 is available and to the extent such deliveries will not interfere with the delivery of Project Water  
447 entitlements to other Friant Division contractors or the physical maintenance of the Project facilities.  
448 The quantities of pre-use Water Delivered pursuant to this subdivision shall be deducted from the  
449 quantities of water that the Contracting Officer would otherwise be obligated to make available to the  
450 Contractor during the following Year; Provided, That the quantity of pre-use water to be deducted  
451 from the quantities of either Class 1 Water or Class 2 Water to be made available to the Contractor in  
452 the following Year shall be specified by the Contractor at the time the pre-use water is requested or as  
453 revised in its first schedule for the following Year submitted in accordance with subdivision (b) of  
454 this Article of this Contract, based on the availability of the following Year water supplies as  
455 determined by the Contracting Officer.

456 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

457 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this  
458 Contract shall be delivered to the Contractor at a point or points of delivery either on Project facilities  
459 or another location or locations mutually agreed to in writing by the Contracting Officer and the

460 Contractor.

461 (b) The Contracting Officer, the Operating Non-Federal Entity, or other  
462 appropriate entity shall make all reasonable efforts to maintain sufficient flows and levels of water to  
463 deliver Project Water to the Contractor at specific turnouts established pursuant to subdivision (a) of  
464 this Article of this Contract.

465 (c) The Contractor shall not deliver Project Water to land outside the Contractor's  
466 Service Area unless approved in advance by the Contracting Officer. The Contractor shall deliver  
467 Project Water in accordance with applicable Federal Reclamation law.

468 (d) All Water Delivered to the Contractor pursuant to this Contract shall be  
469 measured and recorded with equipment furnished, installed, operated, and maintained by the United  
470 States, the Operating Non-Federal Entity or other appropriate entity as designated by the Contracting  
471 Officer (hereafter "other appropriate entity") at the point or points of delivery established pursuant to  
472 subdivision (a) of this Article of this Contract. Upon the request of either party to this Contract, the  
473 Contracting Officer shall investigate, or cause to be investigated by the responsible Operating Non-  
474 Federal Entity, the accuracy of such measurements and shall take any necessary steps to adjust any  
475 errors appearing therein. For any period of time when accurate measurements have not been made,  
476 the Contracting Officer shall consult with the Contractor and the responsible Operating Non-Federal  
477 Entity prior to making a final determination of the quantity delivered for that period of time.

478 (e) Neither the Contracting Officer nor any Operating Non-Federal Entity shall be  
479 responsible for the control, carriage, handling, use, disposal, or distribution of Project Water  
480 Delivered to the Contractor pursuant to this Contract beyond the delivery points specified in  
481 subdivision (a) of this Article of this Contract. The Contractor shall indemnify the United States, its

482 officers, employees, agents, and assigns on account of damage or claim of damage of any nature  
483 whatsoever for which there is legal responsibility, including property damage, personal injury, or  
484 death arising out of or connected with the control, carriage, handling, use, disposal, or distribution of  
485 such Project Water beyond such delivery points, except for any damage or claim arising out of: (i)  
486 acts or omissions of the Contracting Officer or any of its officers, employees, agents, or assigns,  
487 including any responsible Operating Non-Federal Entity, with the intent of creating the situation  
488 resulting in any damage or claim; (ii) willful misconduct of the Contracting Officer or any of its  
489 officers, employees, agents, or assigns, including any responsible Operating Non-Federal Entity; (iii)  
490 negligence of the Contracting Officer or any of its officers, employees, agents, or assigns including  
491 any responsible Operating Non-Federal Entity; or (iv) damage or claims resulting from a malfunction  
492 of facilities owned and/or operated by the United States or responsible Operating Non-Federal Entity;  
493 Provided, That the Contractor is not the Operating Non-Federal Entity that owned or operated the  
494 malfunctioning facility(ies) from which the damage claim arose.

495 MEASUREMENT OF WATER WITHIN THE SERVICE AREA

496 6. (a) The Contractor has established a measurement program satisfactory to the  
497 Contracting Officer; all surface water delivered for irrigation purposes within the Contractor's  
498 Service Area is measured at each agricultural turnout; and Other Water delivered by the Contractor is  
499 measured at each service connection. The water measuring devices or water measuring methods of  
500 comparable effectiveness must be acceptable to the Contracting Officer. The Contractor shall be  
501 responsible for installing, operating, and maintaining and repairing all such measuring devices and  
502 implementing all such water measuring methods at no cost to the United States. The Contractor shall  
503 use the information obtained from such water measuring devices or water measuring methods to

504 ensure its proper management of the water and to bill water users for water delivered by the  
505 Contractor. Nothing herein contained, however, shall preclude the Contractor from establishing and  
506 collecting any charges, assessments, or other revenues authorized by California law.

507           (b) To the extent the information has not otherwise been provided, upon execution  
508 of this Contract, the Contractor shall provide to the Contracting Officer a written report describing  
509 the measurement devices or water measuring methods being used or to be used to implement  
510 subdivision (a) of this Article of this Contract and identifying the agricultural turnouts and Other  
511 Water service connections or alternative measurement programs approved by the Contracting Officer,  
512 at which such measurement devices or water measuring methods are being used, and, if applicable,  
513 identifying the locations at which such devices and/or methods are not yet being used including a  
514 time schedule for implementation at such locations. The Contracting Officer shall advise the  
515 Contractor in writing within sixty (60) days as to the adequacy of, and necessary modifications, if  
516 any, of the measuring devices or water measuring methods identified in the Contractor's report and if  
517 the Contracting Officer does not respond in such time, they shall be deemed adequate. If the  
518 Contracting Officer notifies the Contractor that the measuring devices or methods are inadequate, the  
519 parties shall within sixty (60) days following the Contracting Officer's response, negotiate in good  
520 faith the earliest practicable date by which the Contractor shall modify said measuring devices and/or  
521 measuring methods as required by the Contracting Officer to ensure compliance with subdivision (a)  
522 of this Article of this Contract.

523           (c) All new surface water delivery systems installed within the Contractor's  
524 Service Area after the effective date of this Contract shall also comply with the measurement  
525 provisions described in subdivision (a) of this Article of this Contract.

526 (d) The Contractor shall inform the Contracting Officer and the State of California  
527 in writing by April 30 of each Year of the monthly volume of surface water delivered within the  
528 Contractor's Service Area during the previous Year.

529 (e) The Contractor shall inform the Contracting Officer and any responsible  
530 Operating Non-Federal Entity on or before the twentieth (20<sup>th</sup>) calendar day of each month of the  
531 quantity of Irrigation and Other Water taken during the preceding month.

532 RATES, METHOD OF PAYMENT FOR WATER,  
533 AND ACCELERATED REPAYMENT OF FACILITIES

534 7. (a) The Contractor's cost obligations for all Delivered Water shall be determined  
535 in accordance with: (i) the Secretary's ratesetting policy for Irrigation Water adopted in 1988 and the  
536 Secretary's then-existing ratesetting policy for municipal and industrial water, consistent with the  
537 SJRRSA, and such ratesetting policies shall be amended, modified, or superseded only through a  
538 public notice and comment procedure; (ii) applicable Federal Reclamation law and associated rules  
539 and regulations, or policies; and (iii) other applicable provisions of this Contract.

540 (1) The Contractor shall pay the United States as provided for in this  
541 Article of this Contract for the Delivered Water at Rates and Charges determined in accordance with  
542 policies for Irrigation Water and municipal and industrial water. The Contractor's Rates shall be  
543 established to recover its estimated reimbursable costs included in the O&M Component of the Rate  
544 and amounts established to recover other charges and deficits, other than the construction costs. The  
545 Rates for O&M costs and Charges shall be adjusted, as appropriate, in accordance with the provisions  
546 of the SJRRSA.

547 (2) Omitted.

548 (A) Omitted.

549 (B) Project construction costs or other capitalized costs attributable  
550 to capital additions to the Project incurred after the effective date of this Contract or that are not  
551 reflected in the schedules referenced in Exhibit “C-1” and properly assignable to the Contractor, shall  
552 be repaid as prescribed by the SJRRSA without interest except as required by law. Consistent with  
553 Federal Reclamation law, interest shall continue to accrue on the municipal and industrial portion of  
554 unpaid Project construction costs or other capitalized cost assigned to the Contractor until such costs  
555 are paid. Increases or decreases in Project construction costs or other capitalized costs assigned to the  
556 Contractor caused solely by annual adjustment of Project construction costs or other capitalized costs  
557 assigned to each CVP contractor by the Secretary shall not be considered in determining the amounts  
558 to be paid pursuant to this subdivision (a)(2)(B), but will be considered under subdivision (b) of this  
559 Article. A separate repayment agreement shall be established by the Contractor and the Contracting  
560 Officer to accomplish repayment of all additional Project construction costs or other capitalized costs  
561 assigned to the Contractor within the timeframe prescribed by the SJRRSA subject to the following:

562 (1) If the collective annual Project construction costs or  
563 other capitalized costs that are incurred after the effective date of this Contract and properly  
564 assignable to the contractors are less than \$5,000,000, then the portion of such costs properly  
565 assignable to the Contractor shall be repaid in not more than five (5) years after notification of the  
566 allocation. This amount is the result of a collective annual allocation of Project construction costs to  
567 the contractors exercising contract conversions; Provided, That the reference to the amount of  
568 \$5,000,000 shall not be a precedent in any other context.

569 (2) If the collective annual Project construction costs or  
570 other capitalized costs that are incurred after the effective date of this Contract and properly  
571 assignable to the contractors are \$5,000,000 or greater, then the portion of such costs properly  
572 assignable to the Contractor shall be repaid as provided by applicable Federal Reclamation law. This  
573 amount is the result of a collective annual allocation of Project construction costs to the contractors  
574 exercising contract conversions; Provided, That the reference to the amount of \$5,000,000 shall not  
575 be a precedent in any other context.

576 (b) Consistent with Section 10010(b) of the SJRRSA, following a final cost  
577 allocation by the Secretary upon completion of the construction of the Central Valley Project, the  
578 amounts paid by the Contractor shall be subject to adjustment to reflect the effect of any reallocation  
579 of Project construction costs or other capitalized costs assigned to the Contractor that may have  
580 occurred between the determination of Contractor's Existing Capital Obligation and the final cost  
581 allocation. In the event that the final cost allocation, as determined by the Secretary, indicates that  
582 the costs properly assignable to the Contractor, as determined by the Contracting Officer, are greater  
583 than the Existing Capital Obligation and other amounts of Project construction costs or other  
584 capitalized costs paid by the Contractor, then the Contractor shall be obligated to pay the remaining  
585 allocated costs. The term of such additional repayment contract shall be no less than one (1) year and  
586 no more than ten (10) years, however, mutually agreeable provisions regarding the rate of repayment  
587 of such amount may be developed by the parties. In the event that the final cost allocation, as  
588 determined by the Secretary, indicates that the costs properly assignable to the Contractor, as  
589 determined by the Contracting Officer, are less than the Existing Capital Obligation and other  
590 amounts of Project construction costs or other capitalized costs paid by the Contractor, then the

591 Contracting Officer shall credit such overpayment as an offset against any outstanding or future  
592 obligation of the Contractor, consistent with the SJRRSA. This Contract shall be implemented in a  
593 manner consistent with Section 10010(f) of the SJRRSA.

594 (c) Prior to July 1 of each Calendar Year, the Contracting Officer shall provide the  
595 Contractor an estimate of the Charges for Project Water that will be applied to the period October 1,  
596 of the current Calendar Year, through September 30, of the following Calendar Year, and the basis  
597 for such estimate. The Contractor shall be allowed not less than two (2) months to review and  
598 comment on such estimates. On or before September 15 of each Calendar Year, the Contracting  
599 Officer shall notify the Contractor in writing of the Charges to be in effect during the period October  
600 1 of the current Calendar Year, through September 30 of the following Calendar Year, and such  
601 notification shall revise Exhibit "B". Charges shall be subject to reduction consistent with the  
602 SJRRSA based upon the average annual delivery amount agreed to by the Contracting Officer and the  
603 Contractor.

604 (1) Notwithstanding any Additional Capital Obligation that may later be  
605 established for the years 2020 through 2039 inclusive, the Contractor has no amount due to satisfy the  
606 Repayment Obligation. Therefore, Financing Costs are not incurred nor computed and no reduction  
607 in Charges is applicable. The Friant Surcharge shall remain fixed at \$7.00 per acre foot, as  
608 prescribed by Section 3407 of the CVPIA.

609 (2) Omitted.

610 (d) Prior to October 1 of each Calendar Year, the Contracting Officer shall make  
611 available to the Contractor an estimate of the Rates for Project Water for the following Year and the  
612 computations and cost allocations upon which those Rates are based. The Contractor shall be

613 allowed not less than two (2) months to review and comment on such computations and cost  
614 allocations. By December 31 of each Calendar Year, the Contracting Officer shall provide the  
615 Contractor with the final Rates to be in effect for the upcoming Year, and such notification shall  
616 revise Exhibit "B". The O&M component of the Rate may be reduced as provided in the SJRRSA.

617 (e) At the time the Contractor submits the initial schedule for the delivery of  
618 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the Contractor  
619 shall make an advance payment to the United States equal to the total amount payable pursuant to the  
620 applicable Rate(s) set under subdivision (a) of this Article of this Contract, for the Project Water  
621 scheduled to be delivered pursuant to this Contract during the first two (2) calendar months of the  
622 Year. Before the end of the first month and before the end of each calendar month thereafter, the  
623 Contractor shall make an advance payment to the United States, at the Rate(s) set under subdivision  
624 (a) of this Article of this Contract, for the Water Scheduled to be delivered pursuant to this Contract  
625 during the second month immediately following. Adjustments between advance payments for Water  
626 Scheduled and payments at Rates due for Water Delivered shall be made before the end of the  
627 following month; Provided, That any revised schedule submitted by the Contractor pursuant to  
628 Article 4 of this Contract which increases the amount of Water Delivered pursuant to this Contract  
629 during any month shall be accompanied with appropriate advance payment, at the Rates then in  
630 effect, to assure that Project Water is not delivered to the Contractor in advance of such payment. In  
631 any month in which the quantity of Water Delivered to the Contractor pursuant to this Contract  
632 equals the quantity of Water Scheduled and paid for by the Contractor, no additional Project Water  
633 shall be delivered to the Contractor unless and until an advance payment at the Rates then in effect  
634 for such additional Project Water is made. Final adjustment between the advance payments for the

635 Water Scheduled and payments for the quantities of Water Delivered during each Year pursuant to  
636 this Contract shall be made as soon as practicable but no later than April 30th of the following Year,  
637 or sixty (60) days after the delivery of Project Water carried over under subdivision (g) of Article 3 of  
638 this Contract if such water is not delivered by the last day of February.

639 (f) The Contractor shall also make a payment in addition to the Rate(s) in  
640 subdivision (e) of this Article of this Contract to the United States for Water Delivered, at the  
641 Charges then in effect, before the end of the month following the month of delivery. The payments  
642 shall be consistent with the quantities of Irrigation Water and Other Water Delivered as shown in the  
643 water delivery report for the subject month prepared by the Contracting Officer. Such water delivery  
644 report shall be the basis for payment of Charges by the Contractor, and shall be provided to the  
645 Contractor by the Contracting Officer (as applicable) within five (5) days after the end of the month  
646 of delivery. The water delivery report shall be deemed a bill basis for payment of Charges for Water  
647 Delivered. Adjustment for overpayment or underpayment of Charges shall be made through the  
648 adjustment of payments due to the United States for Charges for the next month. Any amount to be  
649 paid for past due payment of Charges shall be computed pursuant to Article 21 of this Contract.

650 (g) The Contractor shall pay for any Water Delivered under subdivision (d), (f), or  
651 (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to applicable  
652 statutes, associated regulations, any applicable provisions of guidelines or ratesetting policies;  
653 Provided, That the Rate for Water Delivered under subdivision (d) of Article 3 of this Contract shall  
654 be no more than the otherwise applicable Rate for Irrigation Water or Other Water under subdivision  
655 (a) of this Article of this Contract.

656 (h) Payments to be made by the Contractor to the United States under this  
657 Contract may be paid from any revenues available to the Contractor.

658 (i) All revenues received by the United States from the Contractor relating to the  
659 delivery of Project Water or the delivery of non-project water through Project facilities shall be  
660 allocated and applied in accordance with Federal Reclamation law and the associated rules or  
661 regulations, the then-existing Project Ratesetting policies for municipal and industrial water or  
662 Irrigation Water, and consistent with the SJRRSA.

663 (j) The Contracting Officer shall keep its accounts, pertaining to the  
664 administration of the financial terms and conditions of its long-term contracts, in accordance with  
665 applicable Federal standards so as to reflect the application of Project costs and revenues. The  
666 Contracting Officer shall, each Year upon request of the Contractor, provide to the Contractor a  
667 detailed accounting of all Project and Contractor expense allocations, the disposition of all Project  
668 and Contractor revenues, and a summary of all water delivery information. The Contracting Officer  
669 and the Contractor shall enter into good faith negotiations to resolve any discrepancies or disputes  
670 relating to accountings, reports, or information.

671 (k) The parties acknowledge and agree that the efficient administration of this  
672 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,  
673 policies, and procedures used for establishing Rates, Charges, and/or for making and allocating  
674 payments, other than those set forth in this Article of this Contract, may be in the mutual best interest  
675 of the parties, it is expressly agreed that the parties may enter into agreements to modify the  
676 mechanisms, policies, and procedures for any of those purposes while this Contract is in effect  
677 without amending this Contract.

678 (l) (1) Omitted.

679 (2) Omitted.

680 (3) Omitted.

681 (m) Rates under the respective ratesetting policies will be established to recover  
682 only reimbursable O&M (including any deficits) costs of the Project, as those terms are used in the  
683 then-existing Project ratesetting policies, and consistent with the SJRRSA, and interest, where  
684 appropriate, except in instances where a minimum Rate is applicable in accordance with the relevant  
685 Project ratesetting policy. Changes of significance in practices which implement the Contracting  
686 Officer's ratesetting policies will not be implemented until the Contracting Officer has provided the  
687 Contractor an opportunity to discuss the nature, need, and impact of the proposed change.

688 (n) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the CVPIA,  
689 the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates adjusted  
690 upward or downward to reflect the changed costs of delivery (if any) incurred by the Contracting  
691 Officer in the delivery of the transferred Project Water to the transferee's point of delivery in  
692 accordance with the then-existing Central Valley Project Ratesetting Policy.

693 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

694 8. The Contractor and the Contracting Officer concur that, as of the effective date of this  
695 Contract, the Contractor has no non-interest bearing operation and maintenance deficits and therefore  
696 shall have no further liability.

697 RECOVERED WATER ACCOUNT

698 9. (a) Notwithstanding any other provisions of this Contract, water delivered to the  
699 Contractor under its Recovered Water Account as provided at Paragraph 16(b) of the Settlement and

700 affirmed by Section 10004(a)(5) of the SJRRSA shall be at the total cost of \$10.00 per acre foot.  
701 Recovered Water Account water provided to the Contractor shall be administered at a priority for  
702 delivery lower than Class 2 Water and higher than Section 215 Water.

703 (b) The manner in which the Recovered Water Account will be administered will  
704 be developed in accordance with subdivision (k) of Article 7 of this Contract, the SJRRSA, and  
705 Paragraph 16 of the Settlement.

706 SALES, TRANSFERS, AND EXCHANGES OF WATER

707 10. (a) The right to receive Project Water provided for in this Contract may be sold,  
708 transferred, or exchanged to others for reasonable and beneficial uses within the State of California if  
709 such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable  
710 guidelines or regulations then in effect. No sale, transfer, or exchange of Project Water under this  
711 Contract may take place without the prior written approval of the Contracting Officer, except as  
712 provided for in subdivisions (b) and (c) of this Article of this Contract. No such Project Water sales,  
713 transfers, or exchanges shall be approved, where approval is required, absent compliance with  
714 appropriate environmental documentation including but not limited to the National Environmental  
715 Policy Act and the Endangered Species Act. Such environmental documentation must include, as  
716 appropriate, an analysis of groundwater impacts and economic and social effects, including  
717 environmental justice, of the proposed Project Water sales, transfers and exchanges on both the  
718 transferor/exchanger and transferee/exchange recipient.

719 (b) In order to facilitate efficient water management by means of Project Water  
720 sales, transfers, or exchanges of the type historically carried out among Project Contractors located  
721 within the same geographical area and to allow the Contractor to participate in an accelerated water

722 transfer program, the Contracting Officer has prepared, as appropriate, necessary environmental  
723 documentation including, but not limited to, the National Environmental Policy Act and the  
724 Endangered Species Act analyzing annual Project Water sales, transfers, or exchanges among  
725 Contractors within the same geographical area and the Contracting Officer has determined that such  
726 Project Water sales, transfers, and exchanges comply with applicable law.

727 (c) Project Water sales, transfers, and exchanges analyzed in the environmental  
728 documentation referenced in subdivision (b) of this Article of this Contract, shall be conducted with  
729 advance notice to the Contracting Officer and the Contracting Officer's written acknowledgement of  
730 the transaction, but shall not require prior written approval by the Contracting Officer.

731 (d) For Project Water sales, transfers, or exchanges to qualify under subdivision  
732 (b) of this Article of this Contract such Project Water sale, transfer, or exchange must: (i) be for  
733 irrigation purposes for lands irrigated within the previous three (3) years, for municipal and industrial  
734 use, groundwater recharge, groundwater banking, similar groundwater activities, surface water  
735 storage, or fish and wildlife resources; not lead to land conversion; and be delivered to established  
736 cropland, wildlife refuges, groundwater basins or municipal and industrial use; (ii) occur within a  
737 single Year; (iii) occur between a willing seller and a willing buyer or willing exchangers; (iv)  
738 convey water through existing facilities with no new construction or modifications to facilities and be  
739 between existing Project Contractors and/or the Contractor and the United States, Department of the  
740 Interior; and (v) comply with all applicable Federal, State, and local or tribal laws and requirements  
741 imposed for protection of the environment and Indian Trust Assets, as defined under Federal law.

742 (e) The environmental documentation and the Contracting Officer's compliance  
743 determination for transactions described in subdivision (b) of this Article of this Contract shall be

744 reviewed every five (5) years and updated, as necessary, prior to the expiration of the then-existing  
745 five (5) year period. All subsequent environmental documentation shall include an alternative to  
746 evaluate not less than the quantity of Project Water historically sold, transferred, or exchanged within  
747 the same geographical area.

748 (f) Consistent with Section 10010(e)(1) of the SJRRSA, any agreement providing  
749 for sale, transfer, or exchange of Project Water that is not used for interim flows or restoration flows  
750 pursuant to Paragraphs 13 and 15 of the Settlement, shall be deemed to satisfy the requirements of  
751 CVPIA section 3405(a)(1)(A) and (I); Provided, That such sales, transfers, or exchanges comply with  
752 sub-division (f)(1) and (f)(2) below.

753 (1) Project Water sales, transfers, and exchanges conducted under the  
754 provisions of subdivision (f) of this Article of this Contract shall not require the Contracting Officer's  
755 concurrence as to compliance with CVPIA 3405(a)(1)(A) and (I); Provided, That the Contractor  
756 shall, for Project Water sales, transfers, or exchanges, with a term greater than one (1) year, provide  
757 ninety (90) days written advance notification to the Contracting Officer and similarly thirty (30) days  
758 written advance notification of any Project Water sale, transfer, or exchange with a term of less than  
759 one (1) year. The Contracting Officer shall promptly make such notice publicly available.

760 (2) The Contractor's thirty (30) days or ninety (90) days advance written  
761 notification pursuant to subdivision (f)(1) of this Article of this Contract shall explain how the  
762 proposed Project Water sales, transfers, or exchanges are intended to reduce, avoid, or mitigate  
763 impacts to Project Water deliveries caused by interim or restoration flows or is otherwise intended to  
764 facilitate the Water Management Goal as described in the SJRRSA. The Contracting Officer shall  
765 promptly make such notice publicly available.

766                   (3)     In addition, the Contracting Officer shall, at least annually, make  
767 available publicly a compilation of the number of Project Water sales, transfers, and exchange  
768 agreements implemented in accordance with sub-divisions (f)(1) and (f)(2) of this Article of this  
769 Contract.

770                   (4)     Project Water sold, transferred, or exchanged under an agreement that  
771 meets the terms of subdivisions (f)(1) and (f)(2) of this Article of this Contract shall not be counted as  
772 a replacement or an offset for purposes of determining reductions to Project Water deliveries to any  
773 Friant Division Project Contractor except as provided in Paragraph 16(b) of the Settlement.

774                   (g)     Notwithstanding any Additional Capital Obligation that may later be  
775 established, in the case of a sale or transfer of Irrigation Water to another contractor which is  
776 otherwise subject to the acreage limitations, reporting, and full cost pricing provisions of the  
777 Reclamation Reform Act of 1982, as amended, hereinafter referred to as the RRA, such sold or  
778 transferred Irrigation Water shall not be subject to such RRA provisions, however, in the case of a  
779 sale or transfer of Irrigation Water to the Contractor from another contractor which is subject to RRA  
780 provisions, such RRA provisions shall apply to delivery of such water.

781                   APPLICATION OF PAYMENTS AND ADJUSTMENTS

782                   11.     (a)     The amount of any overpayment by the Contractor of the Contractor's O&M,  
783 Capital, and deficit (if any) obligations for the Year shall be applied first to any current liabilities of  
784 the Contractor arising out of this Contract then due and payable. Overpayments of more than One  
785 Thousand Dollars (\$1,000) shall be refunded at the Contractor's request. In lieu of a refund, any  
786 amount of such overpayment, at the option of the Contractor, may be credited against amounts to  
787 become due to the United States by the Contractor. With respect to overpayment, such refund or

788 adjustment shall constitute the sole remedy of the Contractor or anyone having or claiming to have  
789 the right to the use of any of the Project Water supply provided for herein. All credits and refunds of  
790 overpayments shall be made within thirty (30) days of the Contracting Officer obtaining direction as  
791 to how to credit or refund such overpayment in response to the notice to the Contractor that it has  
792 finalized the accounts for the Year in which the overpayment was made.

793 (b) All advances for miscellaneous costs incurred for work requested by the  
794 Contractor pursuant to Article 26 of this Contract shall be adjusted to reflect the actual costs when the  
795 work has been completed. If the advances exceed the actual costs incurred, the difference will be  
796 refunded to the Contractor. If the actual costs exceed the Contractor's advances, the Contractor will  
797 be billed for the additional costs pursuant to Article 26 of this Contract.

798 TEMPORARY REDUCTIONS—RETURN FLOWS

799 12. (a) The Contracting Officer shall make all reasonable efforts to optimize delivery  
800 of the Contract Total subject to: (i) the authorized purposes and priorities of the Project; (ii) the  
801 requirements of Federal law and the Settlement; and (iii) the obligations of the United States under  
802 existing contracts, or renewals thereof, providing for water deliveries from the Project.

803 (b) The Contracting Officer or the responsible Operating Non-Federal Entity may  
804 temporarily discontinue or reduce the quantity of Water Delivered to the Contractor as herein  
805 provided for the purposes of investigation, inspection, maintenance, repair, or replacement of any of  
806 the Project facilities or any part thereof necessary for the delivery of Project Water to the Contractor,  
807 but so far as feasible the Contracting Officer or the responsible Operating Non-Federal Entity will  
808 give the Contractor due notice in advance of such temporary discontinuance or reduction, except in  
809 case of emergency, in which case no notice need be given; Provided, That the United States shall use

810 its best efforts to avoid any discontinuance or reduction in such service. Upon resumption of service  
811 after such reduction or discontinuance, and if requested by the Contractor, the United States will, if  
812 possible, deliver the quantity of Project Water which would have been delivered hereunder in the  
813 absence of such discontinuance or reduction.

814 (c) The United States reserves the right to all seepage and return flow water  
815 derived from Water Delivered to the Contractor hereunder which escapes or is discharged beyond the  
816 Contractor's Service Area; Provided, That this shall not be construed as claiming for the United States  
817 any right as seepage or return flow to water being used pursuant to this Contract for surface irrigation  
818 or underground storage either being put to reasonable and beneficial use pursuant to this Contract  
819 within the Contractor's Service Area by the Contractor or those claiming by, through, or under the  
820 Contractor. For purposes of this subdivision, groundwater recharge, groundwater banking and all  
821 similar groundwater activities will be deemed to be underground storage.

822 CONSTRAINTS ON THE AVAILABILITY OF WATER

823 13. (a) In its operation of the Project, the Contracting Officer will use all reasonable  
824 means to guard against a Condition of Shortage in the quantity of water to be made available to the  
825 Contractor pursuant to this Contract. In the event the Contracting Officer determines that a Condition  
826 of Shortage appears probable, the Contracting Officer will notify the Contractor of said determination  
827 as soon as practicable.

828 (b) If there is a Condition of Shortage because of errors in physical operations of  
829 the Project, drought, other physical causes beyond the control of the Contracting Officer or actions  
830 taken by the Contracting Officer to meet legal obligations, including but not limited to obligations  
831 pursuant to the Settlement then, except as provided in subdivision (a) of Article 19 of this Contract,

832 no liability shall accrue against the United States or any of its officers, agents, or employees for any  
833 damage, direct or indirect, arising therefrom.

834 (c) The United States shall not execute contracts which together with this  
835 Contract, shall in the aggregate provide for furnishing Class 1 Water in excess of 800,000 acre-feet  
836 per Year or Class 2 Water in excess of 1,401,475 acre-feet per Year; Provided, That, subject to  
837 subdivision (l) of Article 3 of this Contract, the limitation placed on Class 2 Water contracts shall not  
838 prohibit the United States from entering into temporary contracts of one year or less in duration for  
839 delivery of Project Water to other entities if such water is not necessary to meet the schedules as may  
840 be submitted by all Friant Division Project Contractors entitled to receive Class 1 Water and/or Class  
841 2 Water under their contracts. Nothing in this subdivision shall limit the Contracting Officer's ability  
842 to take actions that result in the availability of new water supplies to be used for Project purposes and  
843 allocating such new supplies; Provided, That the Contracting Officer shall not take such actions until  
844 after consultation with the Friant Division Project Contractors.

845 (d) The Contracting Officer shall not deliver any Class 2 Water pursuant to this or  
846 any other contract heretofore or hereafter entered into any Year unless and until the Contracting  
847 Officer determines that the cumulative total quantity of Class 1 Water specified in subdivision (c) of  
848 this Article of this Contract will be available for delivery in said Year. If the Contracting Officer  
849 determines there is or will be a shortage in any Year in the quantity of Class 1 Water available for  
850 delivery, the Contracting Officer shall apportion the available Class 1 Water among all Contractors  
851 entitled to receive such water that will be made available at Friant Dam in accordance with the  
852 following:

853                   (1)     A determination shall be made of the total quantity of Class 1 Water at  
854 Friant Dam which is available for meeting Class 1 Water contractual commitments, the amount so  
855 determined being herein referred to as the available supply.

856                   (2)     The total available Class 1 supply shall be divided by the Class 1 Water  
857 contractual commitments, the quotient thus obtained being herein referred to as the Class 1  
858 apportionment coefficient.

859                   (3)     The total quantity of Class 1 Water under Article 3 of this Contract  
860 shall be multiplied by the Class 1 apportionment coefficient and the result shall be the quantity of  
861 Class 1 Water required to be delivered by the Contracting Officer to the Contractor for the respective  
862 Year, but in no event shall such amount exceed the total quantity of Class 1 Water specified in  
863 subdivision (a) of Article 3 of this Contract.

864                   (e)     If the Contracting Officer determines there is less than the quantity of Class 2  
865 Water which the Contractor otherwise would be entitled to receive pursuant to Article 3 of this  
866 Contract, the quantity of Class 2 Water which shall be furnished to the Contractor by the Contracting  
867 Officer will be determined in the manner set forth in paragraphs (1), (2), and (3), of subdivision (d) of  
868 this Article of this Contract substituting the term "Class 2" for the term "Class 1."

869                   (f)     In the event that in any Year there is made available to the Contractor, by  
870 reason of any shortage or apportionment as provided in subdivisions (a), (d), or (e) of this Article of  
871 this Contract, or any discontinuance or reduction of service as set forth in subdivision (b) of Article  
872 12 of this Contract, less than the quantity of water which the Contractor otherwise would be entitled  
873 to receive hereunder, there shall be made an adjustment on account of the amounts already paid to the

874 Contracting Officer by the Contractor for Class 1 Water and Class 2 Water for said Year in  
875 accordance with Article 11 of this Contract.

876 UNAVOIDABLE GROUNDWATER PERCOLATION

877 14. Omitted.

878 ACREAGE LIMITATION

879 15. (a) The Contractor does not have a Repayment Obligation, and notwithstanding  
880 any Additional Capital Obligation that may later be established, the provisions of section 213(a) and  
881 (b) of the RRA shall apply to lands in the Contractor's Service Area, with the effect that acreage  
882 limitations, reporting, and full cost pricing provisions of the RRA shall no longer apply to lands in  
883 the Contractor's Service Area with respect to Water Delivered pursuant to this Contract.

884 Reclamation will conduct a final water district review for the purpose of determining compliance  
885 with the acreage limitations, reporting, and full cost pricing provisions of the RRA from the date of  
886 the last water district review until the date when payment to Reclamation of the Repayment  
887 Obligation was completed.

888 (b) Project Water to which the Contractor is entitled through a separate contract,  
889 other than this Contract, that is subject to Federal Reclamation law, may be delivered to lands within  
890 the Contractor's Service Area. Notwithstanding any Additional Capital Obligation that may later be  
891 established, Project Water Delivered under this Contract may be mixed with Project Water Delivered  
892 pursuant to a contract with the United States, other than this Contract, to which acreage limitations,  
893 reporting, and full cost pricing provisions of Federal Reclamation law apply without causing the  
894 application of the acreage limitations, reporting, and full cost pricing provisions of Federal  
895 Reclamation law to the Water Delivered pursuant to this Contract; Provided, The terms and

896 conditions in such other contract shall continue to apply, and if such terms and conditions so require,  
897 the lands to receive Project Water under such other contract shall be properly designated by the  
898 Contractor and such Project Water is to be delivered in accordance with the RRA including any  
899 applicable acreage limitations, reporting, and full cost pricing provisions.

900 COMPLIANCE WITH FEDERAL RECLAMATION LAWS

901 16. (a) The parties agree that the delivery of water or the use of Federal facilities  
902 pursuant to this Contract is subject to Federal Reclamation law, as amended and supplemented, and  
903 the rules and regulations promulgated by the Secretary of the Interior under Federal reclamation law.

904 (b) The terms of this Contract are subject to the Settlement and the SJRRSA.

905 Nothing in this Contract shall be interpreted to limit or interfere with the full implementation of the  
906 Settlement and the SJRRSA.

907 PROTECTION OF WATER AND AIR QUALITY

908 17. (a) Project facilities used to make available and deliver water to the Contractor  
909 shall be operated and maintained in the most practical manner to maintain the quality of the water at  
910 the highest level possible as determined by the Contracting Officer: *Provided, That* the United States  
911 does not warrant the quality of the water delivered to the Contractor and is under no obligation to  
912 furnish or construct water treatment facilities to maintain or improve the quality of water delivered to  
913 the Contractor.

914 (b) The Contractor shall comply with all applicable water and air pollution laws  
915 and regulations of the United States and the State of California; and shall obtain all required permits  
916 or licenses from the appropriate Federal, State, or local authorities necessary for the delivery of water  
917 by the Contractor; and shall be responsible for compliance with all Federal, State, and local water  
918 quality standards applicable to surface and subsurface drainage and/or discharges generated through  
919 the use of Federal or Contractor facilities or project water provided by the Contractor within the  
920 Contractor's Project Water Service Area.

921 (c) This article shall not affect or alter any legal obligations of the Secretary to  
922 provide drainage or other discharge services.

923 WATER ACQUIRED BY THE CONTRACTOR  
924 OTHER THAN FROM THE UNITED STATES

925           18.   (a)   Omitted.

926                   (b)   Notwithstanding any Additional Capital Obligation that may later be  
927 established, water or water rights now owned or hereafter acquired by the Contractor other than from  
928 the United States pursuant to this Contract and Irrigation Water furnished pursuant to the terms of  
929 this Contract may be simultaneously transported through the same distribution facilities of the  
930 Contractor without the payment of fees to the United States and without application of Federal  
931 Reclamation law to Water Delivered pursuant to this Contract or to lands which receive Water  
932 Delivered to Contractor pursuant to this Contract.

933                   (c)   Water or water rights now owned or hereafter acquired by the Contractor, other  
934 than from the United States or adverse to the Project or its contractors (i.e., non-project water), may  
935 be stored, conveyed and/or diverted through Project facilities, other than Friant Division Facilities,  
936 subject to the completion of appropriate environmental documentation, with the approval of the  
937 Contracting Officer and the execution of any contract determined by the Contracting Officer to be  
938 necessary, consistent with the following provisions:

939                   (1)   The Contractor may introduce non-project water into Project facilities  
940 and deliver said water to lands within the Contractor's Service Area subject to payment to the United  
941 States and/or to any applicable Operating Non-Federal Entity of an appropriate rate as determined by  
942 the Contracting Officer. In addition, if electrical power is required to pump non-project water, the  
943 Contractor shall be responsible for obtaining the necessary power and paying the necessary charges  
944 therefor.

945                   (2)   Delivery of such non-project water in and through Project facilities  
946 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project purposes as

947 determined by the Contracting Officer; (ii) reduce the quantity or quality of water available to other  
948 Project Contractors; (iii) interfere with the delivery of contractual water entitlements to any other  
949 Project Contractors; (iv) interfere with the physical maintenance of the Project facilities; or (v) result  
950 in the United States incurring any liability or unreimbursed costs or expenses thereby.

951 (3) Neither the United States nor any responsible Operating Non-Federal  
952 Entity shall be responsible for control, care or distribution of the non-project water before it is  
953 introduced into or after it is delivered from the Project facilities. The Contractor hereby releases and  
954 agrees to defend and indemnify the United States and any responsible Operating Non-Federal Entity,  
955 and their respective officers, agents, and employees, from any claim for damage to persons or  
956 property, direct or indirect, resulting from Contractor's diversion or extraction of non-project water  
957 from any source.

958 (4) Diversion of such non-project water into Project facilities shall be  
959 consistent with all applicable laws, and if involving groundwater, consistent with any groundwater  
960 management plan for the area from which it was extracted.

961 (5) After Project purposes are met, as determined by the Contracting  
962 Officer, the United States and the Contractor shall share priority to utilize the remaining capacity of  
963 the facilities declared to be available by the Contracting Officer for conveyance and transportation of  
964 non-project water prior to any such remaining capacity being made available to non-project  
965 contractors.

966 (d) Non-project water may be stored, conveyed and/or diverted through Friant  
967 Division Facilities, subject to the prior completion of appropriate environmental documentation and  
968 approval of the Contracting Officer without execution of a separate contract, consistent with

969 subdivisions (c)(1) through (c)(5) of this Article and any other condition determined to be appropriate  
970 by the Contracting Officer.

971 OPINIONS AND DETERMINATIONS

972 19. (a) Where the terms of this Contract provide for actions to be based upon the  
973 opinion or determination of either party to this Contract, said terms shall not be construed as  
974 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or  
975 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly reserve  
976 the right to seek relief from and appropriate adjustment for any such arbitrary, capricious, or  
977 unreasonable opinion or determination. Each opinion or determination by either party shall be  
978 provided in a timely manner. Nothing in this Article of this Contract is intended to or shall affect or  
979 alter the standard of judicial review applicable under Federal law to any opinion or determination  
980 implementing a specific provision of Federal law embodied in statute or regulation.

981 (b) The Contracting Officer shall have the right to make determinations necessary  
982 to administer this Contract that are consistent with the provisions of this Contract, the laws of the  
983 United States and the State of California, and the rules and regulations promulgated by the Secretary.  
984 Such determinations shall be made in consultation with the Contractor to the extent reasonably  
985 practicable.

986 COORDINATION AND COOPERATION

987 20. (a) In order to further their mutual goals and objectives, the Contracting Officer  
988 and the Contractor shall communicate, coordinate, and cooperate with each other, and with other  
989 affected Project Contractors, in order to improve the operation and management of the Project. The  
990 communication, coordination, and cooperation regarding operations and management shall include,

991 but not limited to, any action which will or may materially affect the quantity or quality of Project  
992 Water supply, the allocation of Project Water supply, and Project financial matters including, but not  
993 limited to, budget issues. The communication, coordination, and cooperation provided for hereunder  
994 shall extend to all provisions of this Contract. Each party shall retain exclusive decision making  
995 authority for all actions, opinions, and determinations to be made by the respective party.

996 (b) It is the intent of the Secretary to improve water supply reliability. To carry  
997 out this intent:

998 (1) The Contracting Officer will, at the request of the Contractor, assist in  
999 the development of integrated resource management plans for the Contractor. Further, the  
1000 Contracting Officer will, as appropriate, seek authorizations for implementation of partnerships to  
1001 improve water supply, water quality, and reliability.

1002 (2) The Secretary will, as appropriate, pursue program and project  
1003 implementation and authorization in coordination with Project Contractors to improve the water  
1004 supply, water quality, and reliability of the Project for all Project purposes.

1005 (3) The Secretary will coordinate with Project Contractors and the State of  
1006 California to seek improved water resource management.

1007 (4) The Secretary will coordinate actions of agencies within the  
1008 Department of the Interior that may impact the availability of water for Project purposes.

1009 (5) The Contracting Officer shall periodically, but not less than annually,  
1010 hold division level meetings to discuss Project operations, division level water management  
1011 activities, and other issues as appropriate.

1012 (c) Without limiting the contractual obligations of the Contracting Officer  
1013 hereunder, nothing in this Contract shall be construed to limit or constrain the Contracting Officer's  
1014 ability to communicate, coordinate, and cooperate with the Contractor or other interested  
1015 stakeholders or to make decisions in a timely fashion as needed to protect health, safety, physical  
1016 integrity of structures or facilities, or the Contracting Officer's ability to comply with applicable  
1017 laws.

1018 CHARGES FOR DELINQUENT PAYMENTS

1019 21. (a) The Contractor shall be subject to interest, administrative and penalty charges  
1020 on delinquent installments or payments. When a payment is not received by the due date, the  
1021 Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date.  
1022 When a payment becomes sixty (60) days delinquent, the Contractor shall pay an administrative  
1023 charge to cover additional costs of billing and processing the delinquent payment. When a payment  
1024 is delinquent ninety (90) days or more, the Contractor shall pay an additional penalty charge of six  
1025 (6%) percent per year for each day the payment is delinquent beyond the due date. Further, the  
1026 Contractor shall pay any fees incurred for debt collection services associated with a delinquent  
1027 payment.

1028 (b) The interest charge rate shall be the greater of the rate prescribed quarterly in  
1029 the Federal Register by the Department of the Treasury for application to overdue payments, or the  
1030 interest rate of one-half of one (0.5%) percent per month prescribed by Section 6 of the Reclamation  
1031 Project Act of 1939 (Public Law 76-260). The interest charge rate shall be determined as of the due  
1032 date and remain fixed for the duration of the delinquent period.

1033 (c) When a partial payment on a delinquent account is received, the amount  
1034 received shall be applied, first to the penalty, second to the administrative charges, third to the  
1035 accrued interest, and finally to the overdue payment.

1036 EQUAL EMPLOYMENT OPPORTUNITY

1037 22. During the performance of this Contract, the Contractor agrees as follows:

1038 (a) The Contractor will not discriminate against any employee or applicant for  
1039 employment because of race, color, religion, sex, disability, or national origin. The Contractor will  
1040 take affirmative action to ensure that applicants are employed, and that employees are treated during  
1041 employment, without regard to their race, color, religion, sex, disability, or national origin. Such  
1042 action shall include, but not be limited to the following: employment, upgrading, demotion, or

1043 transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of  
1044 compensation; and selection for training, including apprenticeship. The Contractor agrees to post in  
1045 conspicuous places, available to employees and applicants for employment, notices to be provided by  
1046 the Contracting Officer setting forth the provisions of this nondiscrimination clause.

1047 (b) The Contractor will, in all solicitations or advertisements for employees placed by  
1048 or on behalf of the Contractor, state that all qualified applicants will receive consideration for  
1049 employment without regard to race, color, religion, sex, disability, or national origin.

1050 (c) The Contractor will send to each labor union or representative of workers with  
1051 which it has a collective bargaining agreement or other contract or understanding, a notice, to be  
1052 provided by the Contracting Officer, advising the labor union or workers' representative of the  
1053 Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and  
1054 shall post copies of the notice in conspicuous places available to employees and applicants for  
1055 employment.

1056 (d) The Contractor will comply with all provisions of Executive Order No. 11246 of  
1057 September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

1058 (e) The Contractor will furnish all information and reports required by Executive  
1059 Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of  
1060 Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the  
1061 Contracting Agency and the Secretary of Labor for purposes of investigation to ascertain compliance  
1062 with such rules, regulations, and orders.

1063 (f) In the event of the Contractor's noncompliance with the nondiscrimination clauses  
1064 of this contract or with any of such rules, regulations, or orders, this contract may be canceled,  
1065 terminated or suspended in whole or in part and the Contractor may be declared ineligible for further  
1066 Government contracts in accordance with procedures authorized in Executive Order 11246 of  
1067 September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in  
1068 Executive Order 11246 of September 24, 1965 or by rule, regulation, or order of the Secretary of  
1069 Labor, or as otherwise provided by law.

1070 (g) The Contractor will include the provisions of paragraphs (1) through (7) in every  
1071 subcontract or purchase order unless exempted by the rules, regulations, or orders of the Secretary of  
1072 Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such  
1073 provisions will be binding upon each subcontractor or vendor. The Contractor will take such action  
1074 with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a  
1075 means of enforcing such provisions, including sanctions for noncompliance: *Provided, however*, that  
1076 in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor  
1077 or vendor as a result of such direction, the Contractor may request the United States to enter into such  
1078 litigation to protect the interests of the United States.

1079 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

1080 23. (a) The obligation of the Contractor to pay the United States as provided in this  
1081 Contract is a general obligation of the Contractor notwithstanding the manner in which the obligation  
1082 may be distributed among the Contractor's water users and notwithstanding the default of individual  
1083 water users in their obligations to the Contractor.

1084 (b) The payment of charges becoming due hereunder is a condition precedent to  
1085 receiving benefits under this Contract. The United States shall not make water available to the  
1086 Contractor through Project facilities during any period in which the Contractor may be in arrears in  
1087 the advance payment of water rates due the United States. The Contractor shall not furnish water  
1088 made available pursuant to this Contract for lands or parties which are in arrears in the advance  
1089 payment of water rates levied or established by the Contractor.

1090 (c) With respect to subdivision (b) of this Article of this Contract, the Contractor  
1091 shall have no obligation to require advance payment for water rates which it levies.

1092 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

1093 24. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964 (42  
1094 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the Age  
1095 Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights laws, as  
1096 well as with their respective implementing regulations and guidelines imposed by the U.S.  
1097 Department of the Interior and/or Bureau of Reclamation.

1098 (b) These statutes require that no person in the United States shall, on the grounds  
1099 of race, color, national origin, handicap, or age, be excluded from participation in, be denied the  
1100 benefits of, or be otherwise subjected to discrimination under any program or activity receiving  
1101 financial assistance from the Bureau of Reclamation. By executing this Contract, the Contractor  
1102 agrees to immediately take any measures necessary to implement this obligation, including permitting  
1103 officials of the United States to inspect premises, programs, and documents.

1104 (c) The Contractor makes this agreement in consideration of and for the purpose  
1105 of obtaining any and all Federal grants, loans, contracts, property discounts, or other Federal financial  
1106 assistance extended after the date hereof to the Contractor by the Bureau of Reclamation, including  
1107 installment payments after such date on account of arrangements for Federal financial assistance  
1108 which were approved before such date. The Contractor recognizes and agrees that such Federal  
1109 assistance will be extended in reliance on the representations and agreements made in this Article,  
1110 and that the United States reserves the right to seek judicial enforcement thereof.

1111

PRIVACY ACT COMPLIANCE

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25. Omitted.

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CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

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26. In addition to all other payments to be made by the Contractor pursuant to this

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Contract, the Contractor shall pay to the United States, within sixty (60) days after receipt of a bill

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and detailed statement submitted by the Contracting Officer to the Contractor for such specific items

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of direct cost incurred by the United States for work requested by the Contractor associated with this

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Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and

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procedures. All such amounts referred to in this Article of this Contract shall not exceed the amount

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agreed to in writing in advance by the Contractor. This Article of this Contract shall not apply to

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costs for routine contract administration.

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WATER CONSERVATION

1123

27. (a) Prior to the delivery of water provided from or conveyed through Federally

1124

constructed or Federally financed facilities pursuant to this Contract, the Contractor shall be

1125

implementing an effective water conservation and efficiency program based on the Contractor's water

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conservation plan that has been determined by the Contracting Officer to meet the conservation and

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efficiency criteria for evaluating water conservation plans established under Federal law. The water

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conservation and efficiency program shall contain definite water conservation objectives, appropriate

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economically feasible water conservation measures, and time schedules for meeting those objectives.

1130

Continued Project Water delivery pursuant to this Contract shall be contingent upon the Contractor's

1131

continued implementation of such water conservation program. In the event the Contractor's water

1132

conservation plan or any revised water conservation plan completed pursuant to subdivision (d) of

1133 this Article of this Contract have not yet been determined by the Contracting Officer to meet such  
1134 criteria, due to circumstances which the Contracting Officer determines are beyond the control of the  
1135 Contractor, water deliveries shall be made under this Contract so long as the Contractor diligently  
1136 works with the Contracting Officer to obtain such determination at the earliest practicable date, and  
1137 thereafter the Contractor immediately begins implementing its water conservation and efficiency  
1138 program in accordance with the time schedules therein.

1139 (b) Omitted.

1140 (c) The Contractor shall submit to the Contracting Officer a report on the status of  
1141 its implementation of the water conservation plan on the reporting dates specified in the then-existing  
1142 conservation and efficiency criteria established under Federal law.

1143 (d) At five (5) -year intervals, the Contractor shall revise its water conservation  
1144 plan to reflect the then-existing conservation and efficiency criteria for evaluating water conservation  
1145 plans established under Federal law and submit such revised water management plan to the  
1146 Contracting Officer for review and evaluation. The Contracting Officer will then determine if the  
1147 water conservation plan meets Reclamation's then-existing conservation and efficiency criteria for  
1148 evaluating water conservation plans established under Federal law.

1149 (e) If the Contractor is engaged in direct groundwater recharge, such activity shall  
1150 be described in the Contractor's water conservation plan.

1151 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

1152 28. Except as specifically provided in Article 18 of this Contract, the provisions of this  
1153 Contract shall not be applicable to or affect non-project water or water rights now owned or hereafter  
1154 acquired by the Contractor or any user of such water within the Contractor's Service Area. Any such

1155 water shall not be considered Project Water under this Contract. In addition, this Contract shall not  
1156 be construed as limiting or curtailing any rights which the Contractor or any water user within the  
1157 Contractor's Service Area acquires or has available under any other contract pursuant to Federal  
1158 Reclamation law.

1159 OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

1160 29. (a) If the O&M of a portion of the Project facilities which serve the Contractor,  
1161 and responsibility for funding a portion of the costs of such O& M, is transferred to any responsible  
1162 Operating Non-Federal Entity by separate agreement between the United States and the Operating  
1163 Non-Federal Entity, that separate agreement shall not interfere with or affect the rights or obligations  
1164 of the Contractor or the United States hereunder.

1165 (b) If the Contracting Officer notifies the Contractor in writing that the O&M of a  
1166 portion of the Project facilities which serve the Contractor has been transferred to any responsible  
1167 Operating Non-Federal Entity, the Contractor shall pay directly to the Operating Non-Federal Entity,  
1168 or to any successor approved by the Contracting Officer under the terms and conditions of the  
1169 separate agreement between the United States and the Operating Non-Federal Entity described in  
1170 subdivision (a) of this Article of this Contract, all rates, charges or assessments of any kind, including  
1171 any assessment for reserve funds, which the Operating Non-Federal Entity or such successor  
1172 determines, sets or establishes for (i) the O&M of the portion of the Project facilities operated and  
1173 maintained by the Operating Non-Federal Entity or such successor, or (ii) the Friant Division's share  
1174 of the operation, maintenance and replacement costs for physical works and appurtenances associated  
1175 with the Tracy Pumping Plant, the Delta-Mendota Canal, the O'Neill Pumping/Generating Plant, the  
1176 federal share of the O'Neill Forebay, the Mendota Pool, and the federal share of San Luis Unit joint

1177 use conveyance and conveyance pumping facilities. Such direct payments to the Operating Non-  
1178 Federal Entity or such successor shall not relieve the Contractor of its obligation to pay directly to the  
1179 United States the Contractor's share of the Project Rates and Charges, except to the extent the  
1180 Operating Non-Federal Entity collects payments on behalf of the United States in accordance with  
1181 the separate agreement identified in subdivision (a) of this Article of this Contract.

1182 (c) For so long as the O&M of any portion of the Project facilities serving the  
1183 Contractor is performed by the Operating Non-Federal Entity, or any successor thereto, the  
1184 Contracting Officer shall adjust those components of the Rates for Water Delivered under this  
1185 Contract representing the cost associated with the activity being performed by the Operating Non-  
1186 Federal Entity or its successor.

1187 (d) In the event the O&M of the Project facilities operated and maintained by the  
1188 Operating Non-Federal Entity is re-assumed by the United States during the term of this Contract, the  
1189 Contracting Officer shall so notify the Contractor, in writing, and present to the Contractor a revised  
1190 Exhibit "B" which shall include the portion of the Rates to be paid by the Contractor for Project  
1191 Water under this Contract representing the O &M costs of the portion of such Project facilities which  
1192 have been re-assumed. The Contractor shall, thereafter, in the absence of written notification from  
1193 the Contracting Officer to the contrary, pay the Rates and Charges specified in the revised Exhibit  
1194 "B" directly to the United States in compliance with Article 7 of this Contract.

1195 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1196 30. The expenditure or advance of any money or the performance of any obligation of the  
1197 United States under this Contract shall be contingent upon appropriation or allotment of funds.  
1198 Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations  
1199 under this Contract. No liability shall accrue to the United States in case funds are not appropriated  
1200 or allotted.

1201 BOOKS, RECORDS, AND REPORTS

1202 31. (a) The Contractor shall establish and maintain accounts and other books and  
1203 records pertaining to administration of the terms and conditions of this Contract, including: the  
1204 Contractor's financial transactions, water supply data, and Project land and right-of-way agreements;  
1205 the water users' land-use (crop census), land ownership, land-leasing and water use data; and other  
1206 matters that the Contracting Officer may require. Reports thereon shall be furnished to the  
1207 Contracting Officer in such form and on such date or dates as the Contracting Officer may require.  
1208 Subject to applicable Federal laws and regulations, each party to this Contract shall have the right  
1209 during office hours to examine and make copies of the other party's books and records relating to  
1210 matters covered by this Contract.

1211 (b) Notwithstanding the provisions of subdivision (a) of this Article of this  
1212 Contract, no books, records, or other information shall be requested from the Contractor by the  
1213 Contracting Officer unless such books, records, or information are reasonably related to the  
1214 administration or performance of this Contract. Any such request shall allow the Contractor a  
1215 reasonable period of time within which to provide the requested books, records, or information.

1216 (c) At such time as the Contractor provides information to the Contracting Officer  
1217 pursuant to subdivision (a) of this Article of this Contract, a copy of such information shall be  
1218 provided to any responsible Operating Non-Federal Entity.

1219 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

1220 32. (a) The provisions of this Contract shall apply to and bind the successors and  
1221 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest  
1222 therein shall be valid until approved in writing by the Contracting Officer.

1223 (b) The assignment of any right or interest in this Contract by either party shall not  
1224 interfere with the rights or obligations of the other party to this Contract absent the written  
1225 concurrence of said other party.

1226 (c) The Contracting Officer shall not unreasonably condition or withhold approval  
1227 of any proposed assignment.

1228 SEVERABILITY

1229 33. In the event that a person or entity who is neither (i) a party to a Project contract, nor  
1230 (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii) an  
1231 association or other form of organization whose primary function is to represent parties to Project  
1232 contracts, brings an action in a court of competent jurisdiction challenging the legality or  
1233 enforceability of a provision included in this Contract and said person, entity, association, or  
1234 organization obtains a final court decision holding that such provision is legally invalid or  
1235 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s), the  
1236 parties to this Contract shall use their best efforts to (i) within thirty (30) days of the date of such final  
1237 court decision identify by mutual agreement the provisions in this Contract which must be revised  
1238 and (ii) within three (3) months thereafter promptly agree on the appropriate revision(s). The time  
1239 periods specified above may be extended by mutual agreement of the parties. Pending the  
1240 completion of the actions designated above, to the extent it can do so without violating any applicable  
1241 provisions of law, the United States shall continue to make the quantities of Project Water specified  
1242 in this Contract available to the Contractor pursuant to the provisions of this Contract which were not  
1243 found to be legally invalid or unenforceable in the final court decision.

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RESOLUTION OF DISPUTES

34. Should any dispute arise concerning any provisions of this Contract, or the parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting Officer referring any matter to Department of Justice, the party shall provide to the other party thirty (30) days written notice of the intent to take such action; Provided, That such notice shall not be required where a delay in commencing an action would prejudice the interests of the party that intends to file suit. During the thirty (30) day notice period, the Contractor and the Contracting Officer shall meet and confer in an attempt to resolve the dispute. Except as specifically provided, nothing herein is intended to waive or abridge any right or remedy that the Contractor or the United States may have.

OFFICIALS NOT TO BENEFIT

35. No Member of or Delegate to Congress, Resident Commissioner, or official of the Contractor shall benefit from this Contract other than as a water user or landowner in the same manner as other water users or landowners.

CHANGES IN CONTRACTOR'S SERVICE AREA

36. (a) While this Contract is in effect, no change may be made in the Contractor's Service Area or boundaries, by inclusion or exclusion of lands, dissolution, consolidation, merger, or otherwise, except upon the Contracting Officer's written consent.

(b) Within thirty (30) days of receipt of a request for such a change, the Contracting Officer will notify the Contractor of any additional information required by the Contracting Officer for processing said request, and both parties will meet to establish a mutually agreeable schedule for timely completion of the process. Such process will analyze whether the proposed change is likely to: (i) result in the use of Project Water contrary to the terms of this Contract; (ii) impair the ability of the Contractor to pay for Project Water furnished under this

1268 Contract or to pay for any Federally-constructed facilities for which the Contractor is responsible;  
1269 and (iii) have an impact on any Project Water rights applications, permits, or licenses. In addition,  
1270 the Contracting Officer shall comply with the National Environmental Policy Act and the Endangered  
1271 Species Act. The Contractor will be responsible for all costs incurred by the Contracting Officer in  
1272 this process, and such costs will be paid in accordance with Article 26 of this Contract.

1273 FEDERAL LAWS

1274 37. By entering into this Contract, the Contractor does not waive its rights to contest the  
1275 validity or application in connection with the performance of the terms and conditions of this  
1276 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with the  
1277 terms and conditions of this Contract unless and until relief from application of such Federal law or  
1278 regulation to the implementing provision of the Contract is granted by a court of competent  
1279 jurisdiction.

1280 EMERGENCY RESERVE FUND

1281 38. Omitted.

1282 MEDIUM FOR TRANSMITTING PAYMENT

1283 39. (a) All payments from the Contractor to the United States under this contract  
1284 shall be by the medium requested by the United States on or before the date payment is due. The  
1285 required method of payment may include checks, wire transfers, or other types of payment specified  
1286 by the United States.

1287 (b) Upon execution of the contract, the Contractor shall furnish the Contracting  
1288 Officer with the Contractor's taxpayer's identification number (TIN). The purpose for requiring the  
1289 Contractor's TIN is for collecting and reporting any delinquent amounts arising out of the  
1290 Contractor's relationship with the United States.

1291

NOTICES

1292           40. Any notice, demand, or request authorized or required by this Contract shall be  
1293 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or delivered  
1294 to the Area Manager, South-Central California Area Office, 1243 “N” Street, Fresno, California  
1295 93721, and on behalf of the United States, when mailed, postage prepaid, or delivered to the Board of  
1296 Directors of Gravelly Ford Water District, 18811 Road 27, Madera, California 93628  
1297 . The designation of the addressee or the address may be changed by notice given in the same  
1298 manner as provided in this Article of this Contract for other notices.

1299

CONFIRMATION OF CONTRACT

1300           41. The Contractor, after the execution of this Contract, shall promptly provide to the  
1301 Contracting Officer a decree of a court of competent jurisdiction of the State of California,  
1302 confirming the execution of this Contract. The Contractor shall furnish the United States a certified  
1303 copy of the final decree, the validation proceedings, and all pertinent supporting records of the court  
1304 approving and confirming this Contract, and decreeing and adjudging it to be lawful, valid, and  
1305 binding on the Contractor.

1306

CONTRACT DRAFTING CONSIDERATIONS

1307           42. Articles 1 through 13, Article 15, subdivision (b) of Article 16, Articles 18 through 20,  
1308 subdivision (c) of Article 23, Articles 26 through 29, subdivisions (b) and (c) of Article 31,  
1309 subdivisions (b) and (c) of Article 32, Articles 33 through 34, subdivision (b) of Article 36, and  
1310 Article 37 of this Contract have been drafted, negotiated, and reviewed by the parties hereto, each of  
1311 whom is sophisticated in the matters to which this Contract pertains, and no one party shall be  
1312 considered to have drafted the stated Articles.  
1313

1314            IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and  
1315 year first above written.

THE UNITED STATES OF AMERICA

By: \_\_\_\_\_  
Regional Director, Mid-Pacific Region  
Bureau of Reclamation

GRAVELLY FORD WATER DISTRICT

By: \_\_\_\_\_  
President, Board of Directors

Attest:

By: \_\_\_\_\_  
Secretary

**EXHIBIT A**

**Map or Description of Service Area**

Map or Description of Service Area is pending final form.

**EXHIBIT B  
GRAVELLY FORD WATER DISTRICT  
2010 Rates and Charges  
(Per Acre-Foot)**

	<b>Irrigation</b>	<b>Other</b>
	<b>Water</b>	<b>Water<sup>1</sup></b>
	<b>Class 2</b>	
<b>COST-OF-SERVICE (COS) RATES</b>		
Capital Components <sup>2</sup>		
O&M Components		
Water Marketing		
Storage		
Conveyance <sup>3</sup>		
Deficit Cost Component:		
<b>TOTAL COS (Tier 1 Rate)</b>		
<b>IRRIGATION FULL-COST RATE (RRA)</b>		
Section 202(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.		
Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.		
<b>TIERED PRICING COMPONENTS (In Addition to Total COS Rate Above)</b>		
<b>IRRIGATION</b>		
<i>Tier 2 Rate</i> : >80% <=90% of Contract Total [Section 202(3) Irrigation Full-Cost Rate - COS Rate]/2 (Amount to be added to Tier 1 Rate)		
<i>Tier 3 Rate</i> : >90% of Contract Total [Section 202(3) Irrigation Full-Cost Rate - COS Rate] (Amount to be added to Tier 1 Rate)		
<b>CHARGES AND ASSESSMENTS (Payments in addition to Rates)</b>		
P.L. 102-575 Surcharges <sup>4</sup>		
Restoration Fund Payments [Section 3407(d)(2)(A)]		
Friant Surcharge [Section 3406(c)(1)]		
P.L. 106-377 Assessment (Trinity Public Utilities District) <sup>5</sup> [Appendix B, Section 203]		

**EXPLANATORY NOTES**

- 1 The Contractor has not projected any delivery of Other Water for the 2010 contract year. A temporary rate will be applied upon any Other Water delivery.
- 2 Contractor has satisfied their obligation of allocated capital costs as of 9/30/08
- 3 Conveyance and Conveyance Pumping Operation and Maintenance costs were removed for ratesetting purposes and are to be direct billed.
- 4 The surcharges were determined pursuant to Title XXXIV of P.L. 102-575. Restoration Fund surcharges under P.L. 102-575 are determined on a fiscal year basis (10/1-9/30).
- 5 The Trinity Public Utilities District Assessment is applicable to each acre-foot of water delivered from 3/1/2010-2/28/2011 and is adjusted annually.

**Additional detail of rate components is available on the Internet at**

<http://www.usbr.gov/mp/cvpwaterrates/ratebooks/index.html>

**Exhibit C-1**

Repayment Obligation - Lump Sum Option

**Friant Contractor:**  
**San Joaquin River Restoration Act**

Gravelly Ford Water District

**Existing Capital Obligation (Article 1(m))**

Irrigation portion of Existing Capital Obligation

20yr CMT as of : 10/01/10

Discount Rate (1/2 20yr CMT)

**Discounted Irrigation Capital**

Non-Discounted M&I Portion of Existing Capital Obligation

\$ -

**Repayment Obligation - Lump Sum Option (per Article 7(a)(2)(A) \$ -**

Year	Irrigation Portion of Allocated Capital Cost	
	Beginning Balance	Straight Line Repayment
	2011	\$ -
2012	\$ -	\$ -
2013	\$ -	\$ -
2014	\$ -	\$ -
2015	\$ -	\$ -
2016	\$ -	\$ -
2017	\$ -	\$ -
2018	\$ -	\$ -
2019	\$ -	\$ -
2020	\$ -	\$ -
2021	\$ -	\$ -
2022	\$ -	\$ -
2023	\$ -	\$ -
2024	\$ -	\$ -
2025	\$ -	\$ -
2026	\$ -	\$ -
2027	\$ -	\$ -
2028	\$ -	\$ -
2029	\$ -	\$ -
2030	\$ -	\$ -
		<u>\$ -</u>

**Exhibit D**

Friant Surcharge Reduction Calculation

**Friant Contractor:  
San Joaquin River Restoration Act**

Gravelly Ford Water District

Average Annual Delivery - Forecasted for 2020-2039*	1,960
<b>Total Projected deliveries (over 20 yr period)**</b>	<b>39,200</b>
Article 7(c)	39,200
20 yr CMT as of 10/1/2010	0.000%
1/2 20 yr CMT as of 10/1/2010	0.000%
<b>Irrigation Portion of Existing Capital Obligation</b>	<b>\$0</b>
NPV at Half CMT (Repayment Obligation)	\$0
NPV at Full CMT	\$0
<b>Financing Cost Offset: @ (Article 7(c)(1))</b>	<b>\$0</b>
NPV of FS Reduction	\$0
<b>Difference between Financing Cost Offset and NPV of FS Reduction</b>	<b>\$0</b>
<b>2020 Other Obligation Credit (FV of difference) (Art. 7(c)(2))***</b>	<b>\$0</b>

Year	Irrigation portion of Allocated Capital Cost		CVPIA Friant	Reduction in Friant Surcharge			2020 Other Obligation Credit Calculation (Art. 7(c)(2))
	Beginning Balance	Straight Line Repayment	Surcharges	Friant Surcharge Reduction per Article 7(c)(1)	Friant Surcharge due per A/F after Reduction	Projected Total Annual Credit	
2011	\$ -	\$ -				\$0	\$ -
2012	\$ -	\$ -				0	\$ -
2013	\$ -	\$ -				0	\$ -
2014	\$ -	\$ -				0	\$ -
2015	\$ -	\$ -				0	\$ -
2016	\$ -	\$ -				0	\$ -
2017	\$ -	\$ -				0	\$ -
2018	\$ -	\$ -				0	\$ -
2019	\$ -	\$ -				0	\$ -
2020	\$ -	\$ -				\$0	\$ -
2021	\$ -	\$ -				0	
2022	\$ -	\$ -				0	
2023	\$ -	\$ -				0	
2024	\$ -	\$ -				0	
2025	\$ -	\$ -				0	
2026	\$ -	\$ -				0	
2027	\$ -	\$ -				0	
2028	\$ -	\$ -				0	
2029	\$ -	\$ -				0	
2030	\$ -	\$ -				0	
2031						0	
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	\$ -	\$ -				\$0	

**Exhibit D**

Friant Surcharge Reduction Calculation

**Footnotes**

\* Average annual delivery forecast indicated above is a mutually agreed upon estimate of deliveries during the period 2020-2039 for purposes of calculating the Friant Surcharge reduction and related credits only.

\*\* This figure represents the total cumulative deliveries the reduced surcharge is applicable to, but not beyond 2039. If cumulative actual deliveries exceed this amount prior to 2039, the full Friant Surcharge is applicable to deliveries in excess of this amount.

\*\*\* The difference represents the amount of financing costs that are not offset through the reduced Friant Surcharge computed on this schedule. Pursuant to Section 7(c)(2), this amount shall offset the Contractor's other outstanding or future obligations. After 2020, the contractor's other obligations shall be reduced in the following order to fully offset this amount: 1) Payments or prepayments due for O&M expenses and, to the extent applicable, 2) Additional Capital Obligation.

@ Amount of reduction in Friant Surcharge is computed using FPV of Financing Costs adjusted to Yr 2020. Annual Friant Surcharge reduction to fully offset Financing costs is computed and presented on per a/f basis. Friant surcharge may be reduced up to \$3 per a/f.

Friant Surcharge (FS) Reduction Calculations

FV of Total Financing Cost for Offset	\$	-
Annual Credit Target	\$	-
FS Reduction w/o limit	\$	-
FS Reduction limit	\$	(3.00)